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DISCUSSION PAPER SERIES

IZA DP No. 11768

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ABSTRACT

Faces of Joblessness in Italy: A People-Centred Perspective on Employment Barriers and Policies

In the aftermath of the financial and economic crisis, large shares of working-age individuals in Italy either did not work or only to a limited extent. As the employment rate bottomed out in 2013, 32% were without employment during the entire year, and a further 7% had weak labour-market attachment, working only a fraction of the year, or on restricted working hours. This paper applies a novel method for measuring and visualising employment barriers of individuals with no or weak labour-market attachment, using household micro-data. It first develops indicators to quantify employment obstacles under three broad headings: (i) work-related capabilities, (ii) incentives, and (iii) employment opportunities. It then uses these indicators in conjunction with a statistical clustering approach to identify unobserved ("latent") groups of individuals facing similar combinations of barriers. The resulting typology of labour-market difficulties provides insights on the most pressing policy priorities in supporting different groups into employment. A detailed policy discussion illustrates the use of these empirical results to inform people-centred assessments of existing labour-market integration measures and of key challenges across different policy areas and institutions. The most common employment obstacles in Italy were limited work experience, low education and skill levels, and scarce job opportunities. Although financial disincentives, health limitations and care responsibilities were less widespread overall, they remained important barriers for some groups. A striking finding is that more than half of jobless or low-intensity workers face three or more simultaneous barriers, highlighting the limits of narrow policy approaches that focus on subsets of these employment obstacles in isolation.

JEL Classification: C38, H31, J2, J6, J8

Keywords: employment barriers, profiling, activation, policy coordination

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1. Introduction and motivation

1. Across EU and OECD countries, between 16 and 50% of working-age individuals are without employment, and a significant share of workers are in unstable jobs, or work intermittently or fewer hours than they would like. The factors contributing to joblessness or underemployment are varied and can relate to individual circumstances and characteristics, to specific policy choices, or to the broader economic context, such as a cyclical labour-market weakness. Good-quality information on the employment barriers that people are facing is crucial for formulating strategies to overcome them, and for assessing the effectiveness of existing policy measures aiming to strengthen labour-market outcomes.

2. The "Faces of Joblessness" project (www.oecd.org/social/faces-of-joblessness.htm), undertaken jointly by the OECD and the European Commission, develops and applies a novel method for identifying groups of people with no or weak labour-market attachment, as well as their employment barriers. It covers selected EU and OECD countries and is organised broadly in three parts.[1] A first part presents typologies of underutilised employment potential. To do this, the analysis employs survey data that allow considering individual work patterns over an entire year. Going beyond snapshots of people's labour-market status facilitates a discussion of underemployment, e.g., in the form of intermittent or occasional work, which is attracting growing policy attention.

3. A second part assesses the incidence and severity of key barriers that may hinder stable or higher-intensity employment for those on the margins of the labour market. The examination of barriers relies on a series of quantitative indicators of concrete labour-market obstacles accounting for *individual* (e.g. skills, work experience, health), *household* (care responsibilities) and *labour market / institutional* (labour demand, work incentives) contexts, and providing a rich account of employment barriers and characteristics ("faces") of different groups. In particular, the quantitative information on employment barriers is used to reveal groups who share similar combinations of barriers and who are therefore likely to provide a good basis for tailoring and targeting policy interventions.

4. A third part employs this empirical information to support a policy inventory for selected groups. Essentially, the results on employment barriers are used to examine whether existing activation and employment-support policies (AESPs) are well-adapted to the barriers and characteristics that are prevalent in the selected population groups. By discussing existing policy configurations from the perspective of the employment barriers that people are facing, this bottom-up approach is intended to provide concrete input into policy discussions on how to adapt employment-support measures to different groups and evolving labour-market realities. For instance, the results can inform assessments of whether specific groups are "on the radar" of existing AESPs, whether existing policy

[1]. The six EU countries included in the OECD/EC project are Estonia, Ireland, Italy, Lithuania, Portugal and Spain. References to a "6-country average" in this document refer to those six countries.

configurations are suitably customised to the needs of specific labour-market groups, and whether employment support is accessible to those who are likely to benefit from it.

5. This paper presents results and selected policy implications for Italy, drawing on the latest wave of the EU-SILC data (2014) that was available for this project. Some 32% of working-age individuals in Italy were persistently out of work for at least 12 months, and a further 7% had low work intensity working less than half of the year, or reporting limited working hours or very low earnings. The empirical approach in this paper can be easily repeated with data for later periods. However, while the size of groups is likely to change as the labour market recovers and cyclical unemployment is absorbed, the more structural barriers are likely to persist while underlying policy and related constraints remain in place.

6. The most common potential employment barriers among these 40% of the working-age population were limited work experience, low education and skill levels, and scarce job opportunities. Although financial disincentives, health limitations and care responsibilities were less widespread overall, they represented important barriers for some groups. A striking finding is that large shares of those with no or weak labour-market attachment face multiple simultaneous employment barriers: 53% faced three or more significant barriers, highlighting the need for broad and coordinated policy approaches that focus on all relevant barriers in a holistic way.

7. Section 2 discusses the labour-market and social context in Italy in which the Faces of Joblessness analysis is undertaken, summarises empirical results on the incidence of employment barriers among working-age individuals with no or weak labour-market attachment, and presents a typology of distinct labour-market groups of shared sets of employment barriers and characteristics derived from a comprehensive statistical segmentation analysis. Section 3 provides an overview of Italy's policy stance on activation and employment-support, drawing on a range of available data and policy indicators. Section 4 seeks to illustrate how bottom-up information on patterns of individual employment barriers can inform a discussion of policy priorities, effectiveness and gaps. This is done by undertaking a selective policy inventory for three of the groups identified in the empirical part: *(a)* discouraged younger adults with limited work experience; *(b)* economically inactive mothers with care responsibilities and limited work experience; and *(c)* economically inactive mothers with care responsibilities and without any past work experience. A concluding section summarises key policy implications.

2. Faces of Joblessness in Italy

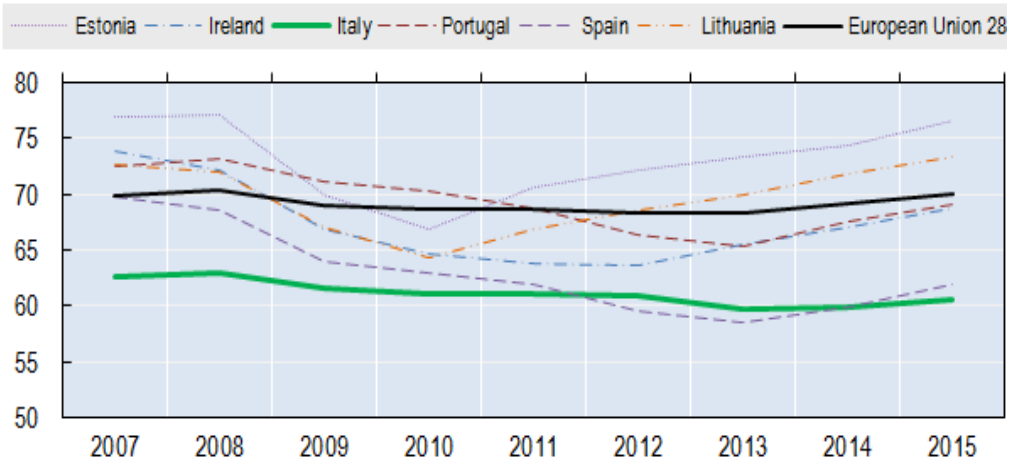
8. As background for the policy inventory in Sections 3 and 4, this section provides a summary of the incidence and patterns of employment barriers in Italy. The summary is based on an in-depth profile analysis of jobless individuals and those with weak labour-market attachment. Full details on the employment barriers and the specific population groups sharing similar types of barriers are reported in a statistical companion paper (Browne and Pacifico, 2016, available through the project website http://www.oecd.org/social/faces-of-joblessness.htm).

2.1. Labour-market and social context

9. The initial impact of the crisis on employment levels in Italy was less severe than in other European countries, but the recovery has been also comparatively slow. The employment-to-population ratio fell by 2ppts between 2008 and 2013, and then recovered by only 0.8ppts between 2013 and 2015, the smallest increase among the six countries studied in this project (Figure 1). As a result, by 2015 the employment rate was still below its 2007 level (61% in 2015, also the lowest of the six countries studied) and the gap with the EU average widened from 7 to 9ppts. Lower household incomes during the crisis and the pension reform of 2012 increased labour-market participation (employment plus unemployment), however. The overall labour-force participation rate increased from 62.4% to 65% between 2007 and 2015 and the change was particularly marked for people aged 55 to 64 (from 34.5% to 51.1%). The increase in labour-force participation was also above average for women (from 50.6% to 54.9%).

Figure 1. Employment rate: slow recovery from the crisis

% of the working-age population



Source: Eurostat Labour Force Statistics.

10. Despite some positive recent developments both employment and labour-force participation rates in Italy remain among the lowest in the EU, especially for population sub-groups such as youth, women and older workers. Only 50.6% of Italian women aged 20 to 64 were employed in 2015, 14ppts below the EU average. For older workers (55-64)

the employment gap with the EU average in 2015 narrowed but was still 5ppts, while it stood at 16.6ppts for youth (15-24). Participation and employment rates are also highly heterogeneous across regions, partly because of the size of the informal economy in southern Italy (EC, 2016). Other challenges include the dual labour market, with around half of Italian workers facing very stringent employment protection legislation while jobs are unstable and often precarious for the other half.

11. Unemployment increased steadily between 2007 and 2014, from 6.2% to 12.9%, before starting to decline in 2015 (to 12.1%). Youth unemployment has doubled from 20% in 2007 to 40% in 2015 and the proportion of young people aged 15 to 24 who are not in education, employment or training (NEET) is the highest in the EU (21%). Italy registers also one of the EU's highest rates of discouraged longer-term unemployed, with over 40 % giving up their job search, and dropping out of the labour force according to Eurostat data for 2014.

12. Income inequality has increased since 2008: the Gini coefficient reached 32.4% in 2014, 1.2ppts above both its 2008 level and the EU average. The share of persons at risk of poverty was 20% in 2014, 3ppts above the EU average and 1ppt above 2007 levels in Italy (Table 1). The at-risk-of-poverty rate changed little during the years of the economic crisis, largely because the median income and, with it, the poverty threshold fell. When fixing the poverty threshold in real terms at 2008 levels, poverty risks show a substantial increase of more than six ppts. Rates of severe material deprivation are also high, leading to large shares of working-age adults who are "at risk of poverty or social exclusion" (AROPE, 29%, see Table 1). Economic hardship is particularly pronounced among households with children, as family benefits are fairly low and affordable childcare is in short supply, which constrains household's overall employment levels. Low work intensity at the household level exposes families to greater risks of becoming a jobless household when the main breadwinner faces unemployment.

Table 1. Risk of poverty or social exclusion

2014, in % of people aged 16-64

	Italy	Estonia	Ireland	Lithuania	Portugal	Spain	EU28
People at risk of poverty or social exclusion	29	25	29	26	28	32	25
People at risk of poverty							
All	20	20	17	18	19	23	17
Not working	31	36	31	35	32	36	31
Working	11	12	6	8	11	13	10
full-time	10	11	3	7	9	10	8
part-time	17	20	11	24	31	23	16
Households without children	16	25	15	18	16	16	15
Households with children	24	18	16	20	23	28	19
People living in households with severe material deprivation (1)							
All	12	6	9	12	10	8	9
Households without children	10	7	6	16	10	6	8
Households with children	13	5	10	12	11	9	10
People living in households with very low work intensity (2)	13	8	21	9	13	18	12

Note: (1) individuals aged 18-64; (2) individuals aged 18-59. The risk of poverty is computed using the Eurostat methodology.
Source: Eurostat (EU-SILC 2014).

2.2. Target groups for activation and employment-support policies

13. Individuals with labour market difficulties frequently move between non-employment and different states of "precarious" employment. As a result, limiting attention to "snapshots" of non-employed (or underemployed) individuals in a specific point in time, such as those based on labour force surveys, may not capture the true extent of labour-market difficulties or the need for policy intervention. To cover the potential scope of activation and employment-support policies (AESPs), the population considered in this paper includes working-age individuals who are persistently out of work (either unemployed or labour-market inactive) as well as individuals who work intermittently or whose labour-market attachment is "weak ", e.g. because they work only very few hours or they move in and out of short-duration jobs. This broad target population includes all potential target groups for AESP policy intervention. **Box 1** defines each sub-group in more detail and explains how it is identified in the EU-SILC data.[2]

2 . See Fernandez et al. (2016) for a discussion of the reference data and the sub-groups included in the target population.

Box 1. Individuals with potential labour market difficulties (target population for the analysis in this paper)

The target population of interest in this paper includes those who are persistently out-of-work, as well as those with weak labour-market attachment.

The **persistently out-of-work** population (*long-term unemployed* or *inactive*) includes individuals reporting no employment activity throughout the *reference period*. The reference period corresponds to 12 consecutive monthly observations in the *income reference year* (January-December of year T-1) plus one additional observation at the *moment of the interview* (in year T).

The group with **weak labour market attachment** refers to individuals reporting employment activity during the *reference period* matching any of the following three situations:

1. **Unstable jobs**: individuals working only a limited number of months throughout the reference period. The threshold is equivalent to Eurostat's low-work-intensity measure: Above zero but no more than 45% of potential working time in the income reference year. To reconcile information reported for the income reference period and at the moment of the interview the following individuals are also considered in this group: 1) Workers who report no work activity during the income reference period but who are working at the moment of the interview and, 2) workers with between 45% and 50% of work activity during the income reference period who do not report any work activity in either the last month of the income reference period or at the moment of the interview.
2. **Restricted hours**: workers who spent most or all of the reference period working *20 hours or less* a week.[1] However, individuals working 20 hours or less who are not likely to have additional work capacity, e.g. due to ongoing education or training, are excluded.
3. **Near-zero earnings**: individuals reporting some work activity during the income reference period but negative, zero or *near-zero* monthly earnings.[2] In addition to possible classification error, situations included in this group could signal potential labour market difficulties, such as underpayment and/or informal activities.

Note: 1.) The 20-hours threshold is approximately in-line with the 45% "part-year" threshold that identifies the group with unstable jobs. For a 40-hours working week in a full-time job, 45% of full-time would correspond to 18 hours a week. However, in SILC, the distribution of working hours in the main job shows a high degree of bunching at 10, 15, 20 and 25 hours a week. As the closest multiple of 5, a value of 20 hours was therefore chosen.

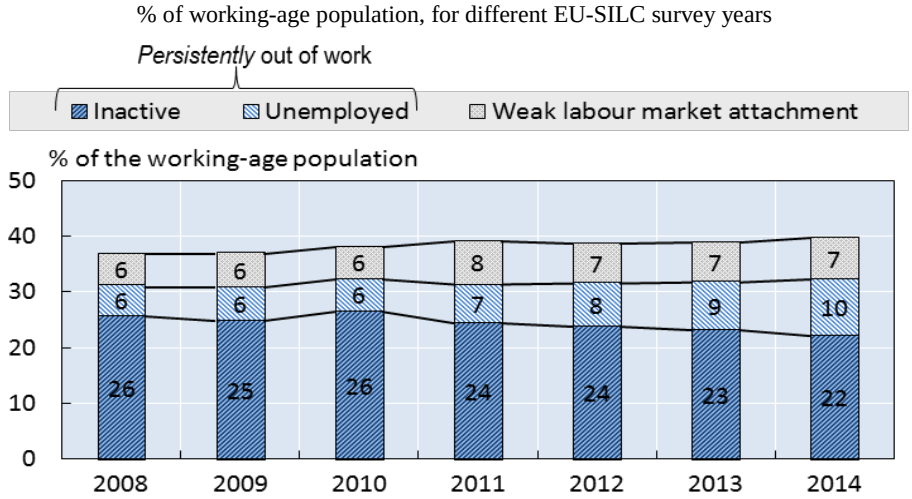
2.) The near-zero earnings threshold is set in Italy at 123 €/month. This value corresponds to the 1st percentile of the SILC earnings distribution.

14. Despite the major definitional differences, the trends in the share of the population who are classified as *persistently out of work* according to this definition (that is, throughout the reference period, see Figure 2) are similar to the trends in snapshot measures of employment based on LFS data, as shown earlier in Figure 1. Economic inactivity, long-term unemployment and underemployment (as defined in Box 1 above) increased only marginally between 2007 and 2013 (as the reference period for the SILC survey is the previous calendar year, this corresponds to SILC survey years 2008 to 2014) and remained close to one third of all working-age individuals throughout. However, the split between unemployment and inactivity changed, with the proportion of economically inactive falling and the share of unemployed increasing.

15. Following the concept outlined in Box 1, individuals with *no or weak labour market attachment* represented 40% of the *working-age population* in Italy in the 2014 wave of EU-SILC (Figure 3). Of those, the biggest group (81%) are individuals who are *persistently*

out of work. The rest (19%) show *weak labour market attachment* and, as shown in Figure 2, the size of this group with unstable or marginal employment has grown over the 2008-2014 period.[3] Of the 81% who are persistently out of work, the most common status is undertaking domestic tasks (35%) followed by unemployed (26%) and retired (13%). Of the 19% with weak labour-market attachment, the majority spent part of the year out of work and almost all the rest worked less than 20 hours a week throughout the year. Only 1% of the target population report working throughout the year but having very little ("near-zero") earnings.

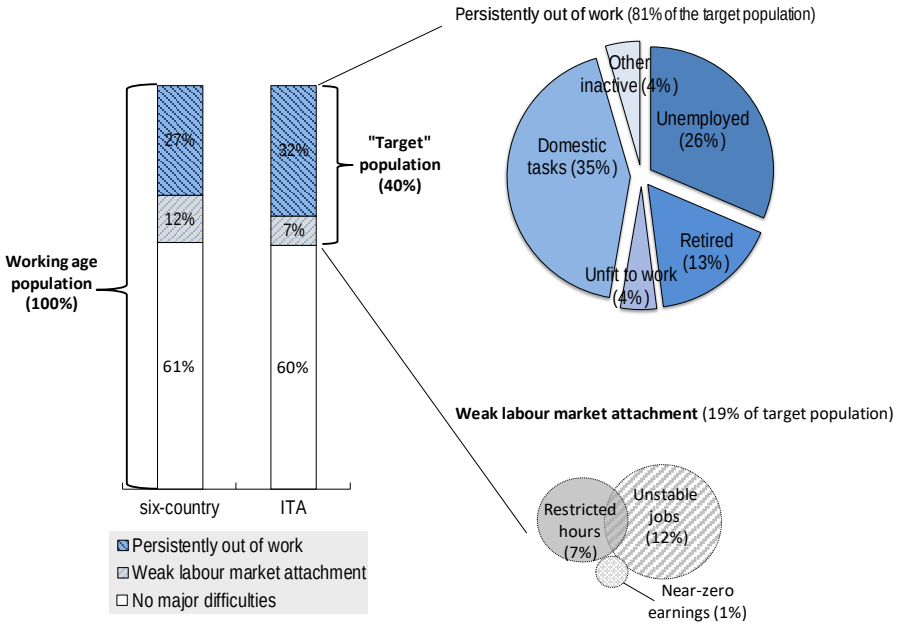
Figure 2. Trends of population groups with potential labour market difficulties



Note: See Box 1 for the definitions of the three groups.
Source: Calculations based on EU-SILC 2008-2014.

3. Despite the employment rate in Italy is lower than in the other six countries (Figure 1) the fraction of the working age population facing potential labour market difficulties is broadly in line with the six-country average (40 per cent). Figure 3 show that this is in large part because of the low fraction of the working age population with *weak* labour market attachment. Although part-time employment is frequent in Italy (19% of employees worked less than 30 hours per week whereas the average for the EU-28 was 17% in 2015 – data from Eurostat) only 33% of part-time employees worked 20 hours or less in Italy, a much smaller value than for the six countries was 54% (70% Lithuania, 61% in Ireland, 56% in Portugal, 52% in Spain and Estonia).

Figure 3. Composition of the population with potential labour market difficulties



Note: The six-country average is unweighted. See Box 1 for definitions of the different groups. The working age population refers to adults (18 to 64) excluding full-time students and those in compulsory military service.
Source: Calculations based on EU-SILC 2014.

2.3. Employment barriers: Summary of empirical results

2.3.1. A typology of employment barriers

16. Individuals with no or weak labour-market attachment often face a number of employment barriers that prevent them from fully engaging in the labour market. Although these barriers cannot be measured directly, proxy indicators can be developed using the information provided in survey data like the EU-SILC. Following Immervoll and Scarpetta (2012), we construct and apply a series of empirical indicators for the three main categories of employment barriers below. The label used for each of the barriers, e.g. "lack of skills" or "high non-labour income", refers to a specific indicator which is described in detail in Browne and Pacifico (2016) and summarised in Annex 2 below.

17. **Limited work-related capabilities**, measurement of seven separate items:

- *Low education*, if an individual has a lower-secondary degree or less (ISCED-11).
- *Low professional skills*, if the person's most recent occupation is in the bottom two categories of the ISCO-08 classification system.
- *Health limitations*, i.e. whether an individual reports longer-lasting physical or mental limitations in daily activities.
- *Care responsibilities*, i.e. whether an individual has a family member who requires care and they are the only person in the household who can provide it.
- *No past work experience at all*.
- *Limited recent work experience*.
- *Limited total work experience* relative to potential experience.

18. **Reduced financial work incentives**, two items:

- "*High" earnings-replacement benefits*, i.e. out-of-work benefits are high relative to their potential earnings.
- "*High" non-labour income*, i.e. living in a household with high levels of income that are unrelated to their own work effort.

19. **Scarce job opportunities**, one single item only:

- The risk (in a statistical sense) of remaining without a job for 12 months or longer despite active job search and availability for work. The risk is estimated with a regression model including region, age group, gender and education as independent variables. See Fernandez et al. (2016) for details.

20. Employment barriers are significantly more common in the target population than among those with stronger labour market attachment, indicating that they are indeed reasonably well associated with employment outcomes. They also tend to be more common among those who have been persistently out of work than among individuals with weak labour-market attachment. This is shown in Table 2, which provides the shares of individuals in the *target* and the broader working-age population facing each of the employment barriers listed above. Results for the target population are further broken down into the group who are persistently-out-of-work and the group with weak labour market attachment. *Low education*, *low professional skills* and *low relative work experience* are the most common employment barriers in the Italian target population. Other barriers, such as *care responsibilities*, *no past work experience* and *health limitations*, are somewhat less prevalent overall, but they may still be very important for some sub-groups. *Scarce job opportunities* are more prevalent among those with some (weak) labour market attachment, partly because in Italy many individual who are persistently out of work are not actively looking for a job or are not willing to take up employment immediately.

Table 2. Share of people facing different employment barriers

% of population facing different types of barrier

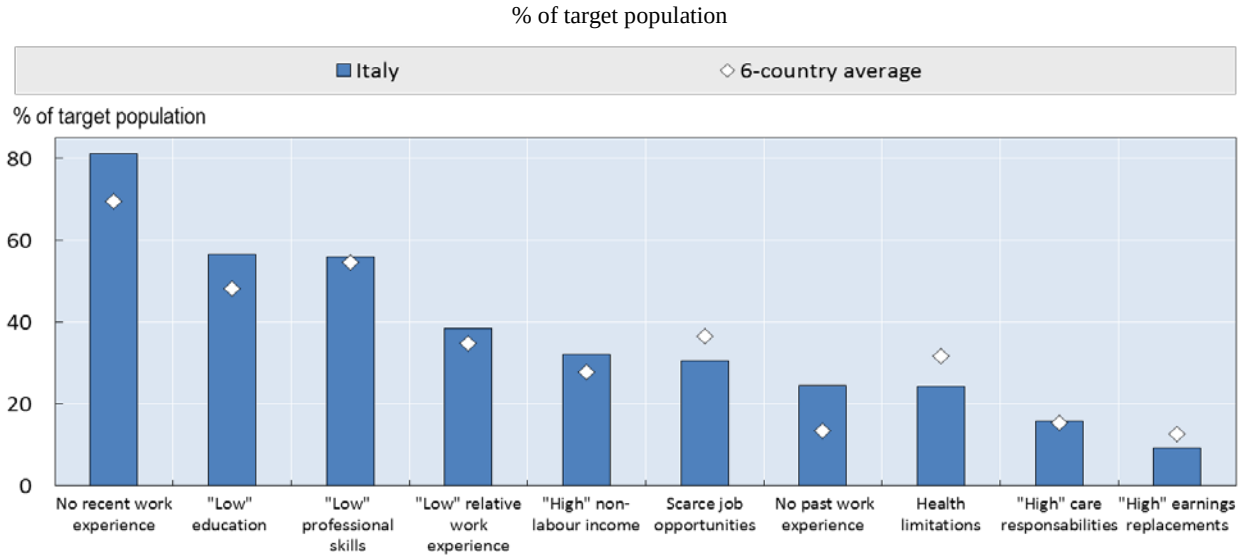
	Working age population	"Target" population		
		All	Persistently out of work	Weak labour market attachment
Insufficient work-related capabilities				
"low" education	38	53	56	41
"Low" professional skills	42	56	60	40
No past work experience	10	25	30	0
"Low" relative work experience	27	38	38	41
No recent work experience	7	81	100	0
Health limitations	18	24	26	18
Care responsabilities	6	16	16	14
Lack of financial work incentives				
"High" non-labour income	28	32	33	30
"High" earnings replacements	6	9	10	5
Scarce job opportunities				
Scarce job opportunities	12	31	29	36

Source: Calculations based on EU-SILC 2014. The working age population is adults aged 18 to 64 excluding full-time students and those in compulsory military service

21. Figure 4 compares the incidence of employment barriers in Italy with the average among the six countries.[4] *No recent work experience*, *Low education* and *Low professional skills* are the most frequent barriers in Italy whereas *High care responsibilities* and *High earnings-replacement benefits* are the least common overall (16% and 9%, respectively). The share of individuals facing different employment barriers is usually either slightly higher or slightly lower than the average for the six countries. *Health limitations* and *scarce job opportunities* are lower than the six-country average, whereas *Low education*, *No recent work experience* and *No past work experience* are substantially more frequent in Italy.

22. Figure 5 shows the number of (simultaneous) barriers faced by individuals in the target population in Italy. More than 80% face at least two simultaneous obstacles and 53% have three or more employment barriers. Only 3% do not face any of the employment barriers assessed here. For this group, the employment-barrier indicator is either below the respective thresholds used in this report (perhaps slightly so), or their limited labour-market attachment is indeed unrelated to the barriers discussed here: they may have a strong preference for leisure, or they experience other barriers that reduce the likelihood of employment but are not captured in the present analysis.

Figure 4. Employment barriers in Italy

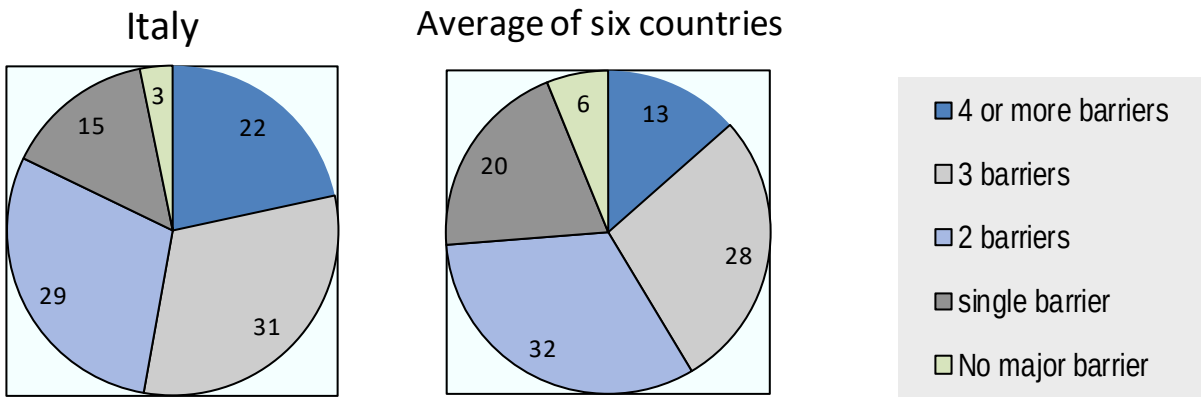


Note: See Annex 2 for definitions and thresholds. The six-country average is unweighted and replicates the precise definition of barriers adopted for Italy in this paper. Because definitions are country-specific to some extent, the averages may differ from those reported in Faces of Joblessness studies for the other five countries.
Source: Calculations based on EU-SILC 2014.

4. The PANs of the six countries use broadly similar sets of indicators. However, depending on the data, some country-specific adjustments were made for some indicators to improve model fit and the interpretation of the profiling results. To assure comparability, the six-country average shown in Figure 4 is computed using an identical specification of indicators across all countries, corresponding exactly to the one used for Italy.

Figure 5. Number of simultaneous barriers

% of target population



Note: The six-country average is unweighted.
Source: Calculations based on EU-SILC 2014.

Identifying distinct groups for policy intervention

23. The statistical profiling analysis, reported fully in Browne and Pacifico (2016), suggests that the population with no or weak labour market attachment in Portugal can be separated into *thirteen distinct groups*, each with sets of employment barriers that are meaningfully distinct from the other groups. Table A1 and A2 in Annex 1 report employment barriers and a range of demographic and socio-economic characteristics (such as gender, age, poverty risks, etc.) for each group. This information helps to attach indicative labels or "faces" to the members of the thirteen groups. Their sizes, along with suggested labels are reported in Table 3.

Table 3. Potential targets of activation and employment-support policies

Group labels based on the main employment barriers characterising each group

Group number	Group label	% of the target population
1	Labour-market inactive women with low education and limited work experience	16
2	Labour-market inactive women with low education and without any past work experience	12
3	Discouraged younger adults with limited work experience	10
4	Underemployed prime-age women	9
5	Long-term unemployed men with low professional skills and low education	8
6	Discouraged youth without any past work experience facing scarce job opportunities	7
7	Older men with low education and high earnings replacements	7
8	Unemployed prime-age women with limited work experience	7
9	Labour-market inactive mothers with care responsibilities and limited work experience	7
10	Retirees with low work incentives	6
11	Labour-market inactive mothers with care responsibilities and without any past work experience	6
12	Older individuals with health limitations and limited work experience	3
13	Individuals with disabilities and without any past work experience	2

Note: Group labels are based on the employment barriers with a "high" probability of occurrence within the group. See tables A1 and A2 for the complete list of individual and household characteristics.
Source: Calculations based on EU-SILC 2014.

24. One notable inference from the descriptive statistics for each group in Annex Tables A1 and A2 is that proxy groupings, which are commonly referred to in the policy debate, such as "youth", "women", "unemployed", are far from homogeneous. In some cases, these proxy labels may distract attention from the specific employment obstacles that policies seek to address as they can comprise groups with very different combinations of employment barriers. To successfully address those barriers, suitable policy responses and priorities may be quite different for each of them. For example, the results point to:

25. **Two different groups of women without children**: *"Labour-market inactive women with low education and limited work experience"* (Group 1) have some but limited work experience and education, though they can draw on significant income from other household members. The second group, *"Labour-market inactive women with low education and without any past work experience"* (Group 2) is different from Group 1 as they have no past work experience at all and their household income is much lower.

26. **Two groups of women with young children**: *"Labour-market inactive mothers with care responsibilities and limited work experience"* (Group 9) is characterised by the need to care for children and by low work experience relative to potential experience; the other, *"Labour-market inactive mothers with care responsibilities and without any past work experience"*, (Group 11) faces more severe barriers to employment, having never been in paid work at all and showing lower levels of education other than the need to care for children. Women in Groups 9 and 11 are much younger than in Groups 1 and 2.

27. **One group of underemployed women**: *"Underemployed prime-age women"* (Group 4) are distinct from the groups mentioned above in that they actually did some paid work during the reference period but for several reasons remain underemployed. Employment barriers are relative diverse for this group and include low work experience and/or education, partly resulting in scarce job opportunities, as well as care responsibilities and low work incentives. However, the average number of simultaneous barriers is the smallest among the 13 groups (see Figure 6).

28. **Four distinct subgroups of unemployed individuals**: "*Unemployed prime-age women with limited work experience*" (Group 8) have limited work experience and are at risk of becoming discouraged from the labour market. *"Long-term unemployed men with low professional skills and low education"* (Group 5) are older than the individuals in Group 8, have lower skill levels but a much longer employment record relative to age and education. *"Discouraged youth without any past work experience facing scarce job opportunities"* (Group 6) consist of young people with no employment history who are giving up their job search and becoming economically inactive. "*Discouraged younger adults with limited work experience"* (Group 3) are similar to Group 6 but are somewhat older and have all past work experience.

29. **Two different groups of older people**: "*Retirees with weak financial work incentives*" (Group 10) are skilled individuals with lengthy though no recent work experience given (early) retirement, whereas "*Older men with low education and high earnings replacement benefits*" (Group 7) are slightly younger with a long tenure in lower-skilled jobs. Both groups are likely to face low financial work incentives, though of different type: individuals in the first group live in higher-income households and can draw on significant income independently of their work effort, while those in the second group receive more earnings replacement benefits.

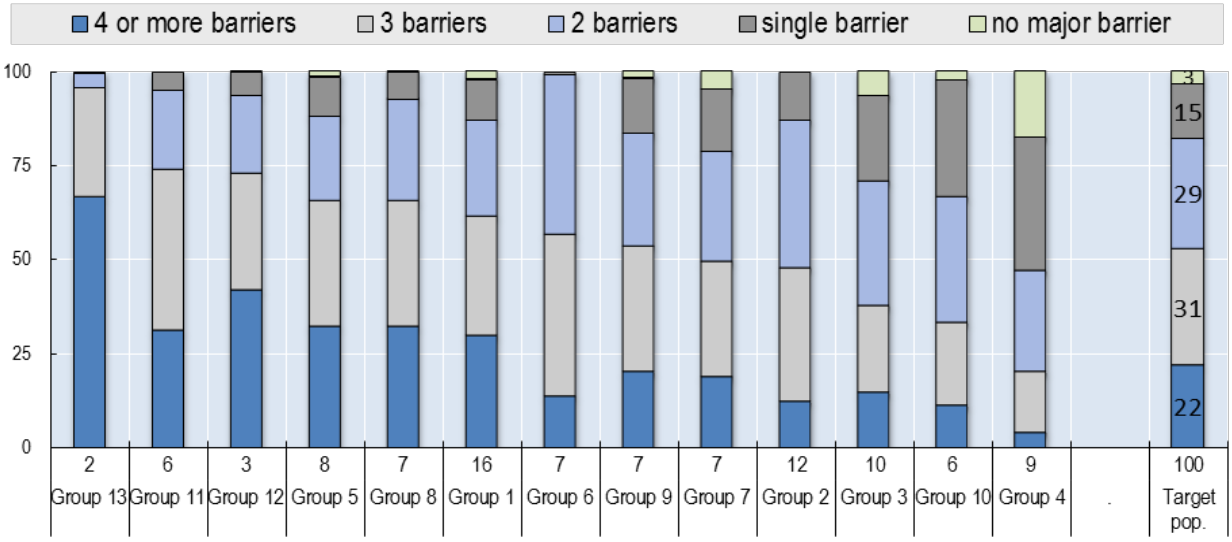
30. **Two groups of individuals with health limitations**: "*Older Individuals with health limitations and limited work experience*" (Group 12) have been out-of-work for a

long time due to (severe) health limitations whereas "*Individuals with disabilities and without any past work experience*" (Group 13) have no past work experience mostly due to a permanent disability.

31. In most groups a majority face multiple simultaneous employment barriers (Figure 6). As a result, addressing only one of those obstacles might not be enough to boost employment levels significantly. For instance, nearly 70% of the "*Individuals with disabilities and without any past work experience*" (Group 13) face four or more employment barriers while around 30% have three simultaneous barriers. In all other groups, the prevalence of four or more barriers is much lower but at least 20% of the identified individuals face at least two barriers. From a policy perspective, these findings point to a need to carefully sequence different activation and employment support measures, and to coordinate them across policy domains and institutions.

Figure 6. Share of individuals facing multiple simultaneous employment barriers

By group, in descending order of shares facing three or more barriers, in %



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Note: Group sizes are reported on the horizontal axis. See also Table 3 and Annex Tables A1, A2. **Group 1**: "Labour-market inactive women with low education and limited work experience"; **Group 2**: "Labour-market inactive women with low education and without any past work experience"; **Group 3**: "Discouraged younger adults with limited work experience"; **Group 4**: "Underemployed prime-age women"; **Group 5**: "Long-term unemployed men with low professional skills and low education", **Group 6**: "Discouraged youth without any past work experience facing scarce job opportunities"; **Group 7**: "Older men with low education and high earnings replacements"; **Group 8**: "Unemployed prime-age women with limited work experience"; **Group 9**: "Labour-market inactive mothers with care responsibilities and limited work experience"; **Group 10**: "Retirees with low work incentives"; **Group 11**: "Labour-market inactive mothers with care responsibilities and without any past work experience"; **Group 12**: "Older individuals with health limitations and limited work experience"; **Group 13**: "Individuals with disabilities and without any past work experience".
Source: Calculations based on EU-SILC 2014.

3. Activation and employment-support in Italy: Overall policy stance

32. As a general background to the policy inventory for selected groups, this section provides an overview of the main income-support policies and a discussion of key indicators describing the Public Employment Services (PESs) and Active Labour Market Programmes (ALMPs), which are relevant for several or most of the groups identified above.

3.1. Income support

33. Like other countries, Italy has a range of different income-support measures for working-age adults who have lost their job or have very low incomes. Some of these measures can be considered as earnings replacements for individuals with no (or weak) labour market attachment (e.g., unemployment insurance benefits, maternity leave payments, disability benefits). Others operate mostly as income top-ups and may be available irrespective of work status (family benefits, housing allowances). Following the categories that are common in international comparisons, earnings-replacement benefits can be categorised into one of the following categories: unemployment, social assistance (guaranteed minimum-income benefits, GMI), family support, incapacity and early retirement.[5] Figure 7 summarises recipient numbers and spending levels for each of the main categories, while Table 4 provides more detailed information on amounts, duration and entitlement criteria.

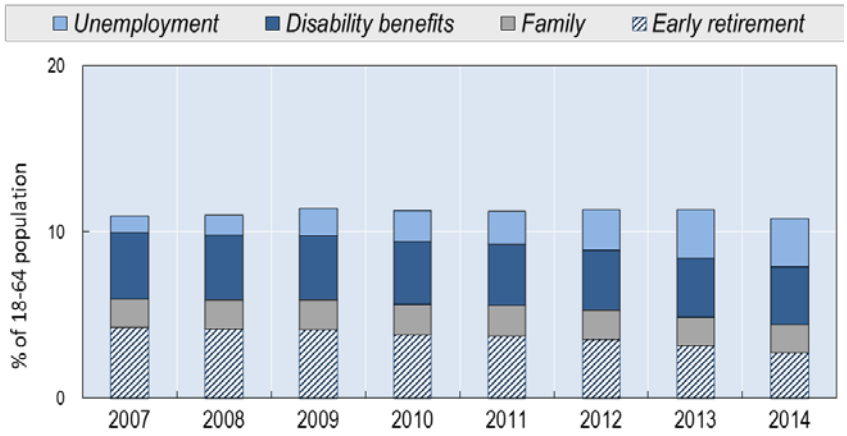
34. The number of earnings-replacement benefit recipients remained fairly constant since the onset of the global economic crisis in 2007 (11% of the working-age population, see Figure 7). However, there had been a notable shift of recipients towards unemployment benefits (from 0.8% to 2.5% of the working age population in 2014), while receipt of early-retirement and disability declined (from 4.3% to 2.7%, and from 4% to 3.5%, respectively). Accordingly, spending on unemployment benefits has increased by 60% since 2007 while for early-retirement it fell by 35% (Figure 8). Overall, Italy spends significantly less on earnings-replacement benefits than the average EU country (2.9% of the GDP versus 4% for the EU). This is largely driven by lower spending on "Incapacity" and "Family" benefits, and also by the lack of a universal social assistance scheme at the national level.

35. Despite the recent increase in unemployment benefit recipients, the "pseudo" coverage rate, calculated as the number of unemployment benefit recipients divided by the number of ILO unemployed, was just 35% in 2014 (Figure 9 – Panel A). This can be ascribed in part to the duality of the Italian labour market (OECD, 2015d) and to the relatively restrictive unemployment benefit system that was in place before the approval of the "*Jobs Act*" reform package in 2015 (see Annex 3). The previous system (see Table 4) combined long minimum-contribution requirements and short maximum durations with comparatively strict sanctions (Figure 9, Panel B – light blue bar). For instance, according

5. This study focuses on working-age individuals. Therefore, earning-replacement benefits like old-age pensions or survivor pensions, which mostly target retirement and persons under 18 years, are not considered. Other earnings-replacement benefits, such as sick-leave schemes or work accident insurance payments, are not included (a) for methodological/data availability reasons and (b) because they are less linked to the labour market situation.

to legal provisions in 2014, benefit recipients lost their entire entitlement if they refused, without justifiable reasons, to take part in ALMPs.[6] However, these sanction provisions may not have been binding in practice as recipients of unemployment benefits did not face strict job-search reporting requirements. For instance, legislation did not specify rules regarding reachability or response times to communications from the employment service. These aspects, combined with the comparatively high net replacement rates even at low earnings levels (white triangular markers in Figure 11) may have weakened incentives to engage in active job-search activities for the (limited) share of unemployed who qualified for benefits.

Figure 7. Out-of-work benefits for working-age adults in Italy - Recipients

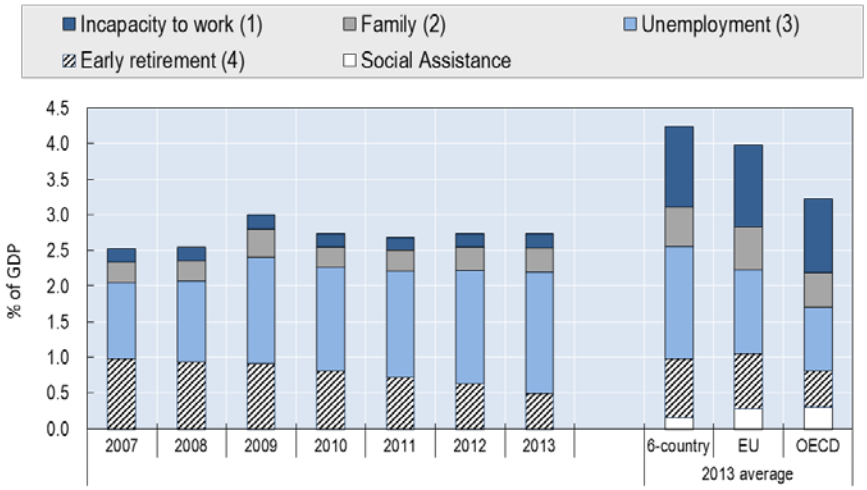


Note: The categorisation of social benefits (branches) mostly follows Eurostat ESSPROS definitions. Information on the programmes in each category is shown in Table 4.
Source: OECD SOCR database.

36. Italy introduced a number of changes to the unemployment benefit system in 2015 (Table 4). Minimum contribution requirements are shorter and maximum durations have been extended. Certain categories of workers who were previously excluded from the unemployment insurance are now covered (e.g. seasonal workers) and some groups of long-term unemployed can rely on a means-tested unemployment assistance programme. Sanctions cover also job-search reporting requirements and are now characterised by increasing levels of strictness depending on the number of deviations from the service agreement (see Section 3.2).

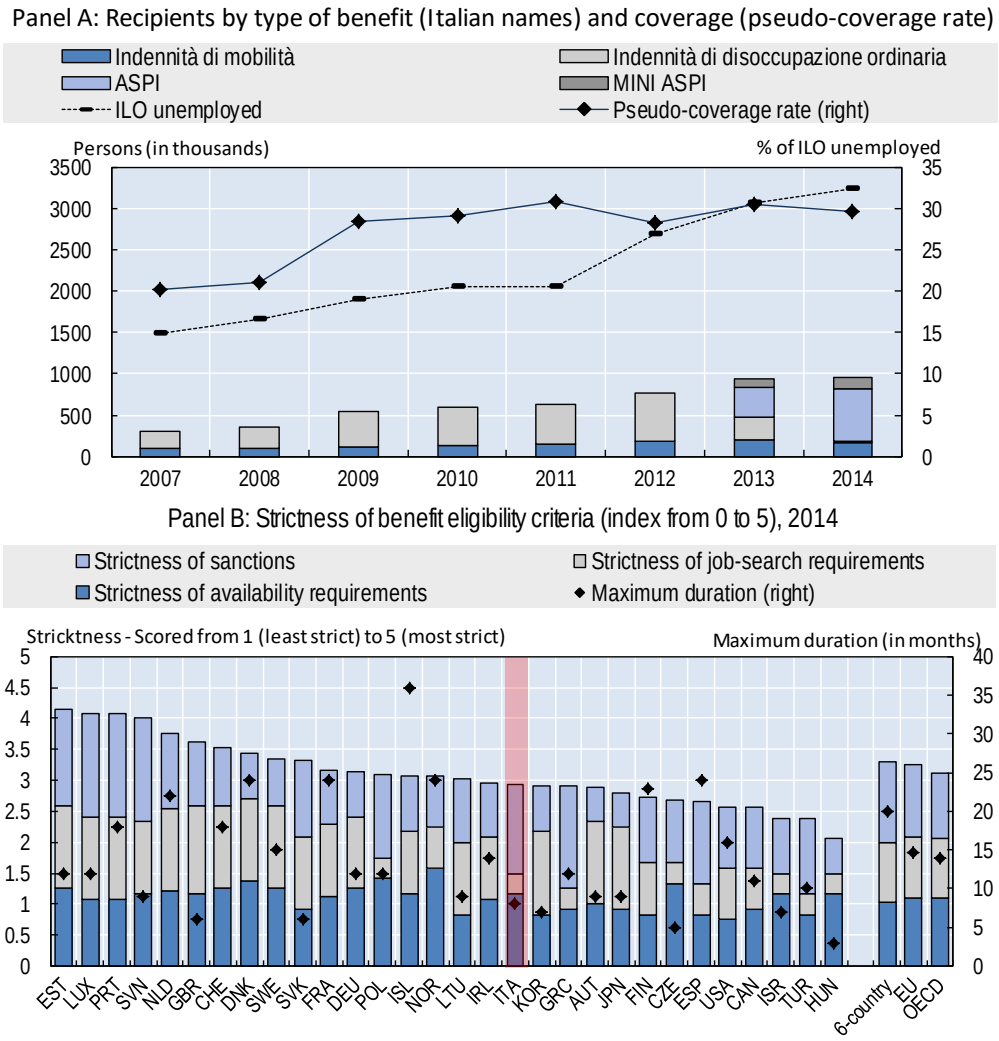
6. This sanction does not apply if the work place is more than 50 km far from the main residence and cannot be reached in less than 80 minutes by public transportation. Refusals can be justified by reasons including accidents, sickness, civilian service and pregnancy. Individuals whose employment relationship terminates by voluntarily resignations are not entitled to unemployment benefits, except for a very limited number of reasons (e.g. discrimination). According to the new legislative provisions (2015), an "adequate" job offer should take into account not only distance from the main residence and level of the previous wage, but also the duration of unemployment and former qualifications. However, to date, the MLSP has not enacted yet the ministerial decree specifying the content of the adequate job offer.

Figure 8. Out-of-work benefits for working-age adults in Italy - Expenditure



Note: Italian data recorded in the OECD social benefit expenditures (SOCX) database contains only aggregated information for early-retirement and incapacity benefits, without differentiating between age groups. To approximate spending on working-age individuals, aggregate spending in these categories was multiplied by the share of recipients who are below statutory retirement age. Country averages are unweighted. The benefits considered in each branch are (*Italian names*): (1) *Assegno ordinario d'invalidità*, *Pensione di inabilitá and pensione di invalidità civile*; (2) *indennità di maternità* and *congedo parentale*; (3) *Indennitá di disoccupazione ordinaria and indennitá di mobilitá* until 2012; *ASPI, Mini-ASPI and Indennitá di mobilitá* as of 2013; (4) *pensione di anzianità*. The entitlement criteria and the duration of these benefits can be found in Table 4. Country averages are unweighted.
Source: OECD SOCX database.

Figure 9. Unemployment benefits: coverage, duration and strictness of eligibility criteria



Note: The "strictness" sub-categories cover the following items. "Strictness of sanctions": sanctions for voluntary unemployment, for refusing job offers (first/repeated) and for failure to participate in counselling or ALMPs (first/repeated); "Strictness of job search requirements and monitoring": frequency of job search monitoring and required documentation of job search; "Strictness of availability requirements and suitable work criteria": availability during ALMP participation, demands on occupational and geographical mobility, other valid reasons for refusing job offers. Maximum benefit durations for a 40-year-old displaced worker with 22 years of contributions (continuous employment since age 18).
Source: Panel A: OECD SOCR database. Panel B: Calculations using Langenbucher (2015) and OECD tax-benefit model.

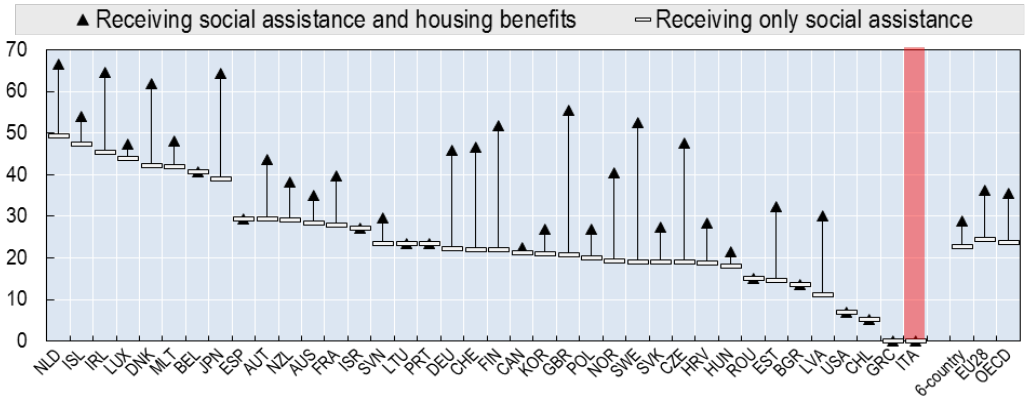
37. In spite of the relatively low proportion of individuals reporting health-related barriers in Italy (Figure 4), **incapacity benefits** were the biggest category of earnings-replacement benefits in 2014, covering 3.5% of the working-age population (Figure 7). Spending appears nevertheless lower than the EU average (see note in Figure 8 on approximation of spending data). Workers with less than 34% of assessed work capacity, at least five years of contributions, and three of them in the five years prior to the claim, are entitled to **ordinary incapacity benefits (OIB**, partial disability**)** or **disability pension** (**DP**, total and permanent inability, see also Table 4). OIB and DP entitlements are

calculated based on the same rules as old-age pensions. For working OIB recipients, entitlements are reduced by between 25% and 50% once an earnings threshold is exceeded. DP is not compatible with work activities. DP entitlement corresponds to the OIB amount plus the fraction of disability pension the person would have been entitled to had they continued working until retirement age. **Civil incapacity pensions** provide additional support to individuals suffering from congenital disabilities. They are compatible with work activities, are means tested, cannot be cumulated with other incapacity benefits, eligibility does not depend on the contribution record, and entitlement is subject to assessments by a medical board.

38. Italy is one of the few OECD countries without a national **minimum income scheme** (Figure 10). Until 2013 the only nation-wide social-assistance measure for poor households was the so-called "*Social Card Ordinaria*" (SCO), a means-tested subsidy targeting elderly people (65+) and children up to three years of age. In 2013 Italy introduced a means-tested subsidy called "*Social Card Sperimentale*" (SCS) in the twelve biggest Italian cities. Compared with the SCO, the SCS was more generous, more inclusive, and required the local authorities (municipalities and social partners) to provide a series of activation and social-inclusion measures for the recipients.[7] In 2015 the SCS became a national measure under the new name "*Sostegno per l'Inclusione Attiva*" ("*Active Inclusion Subsidy*", SIA).

Figure 10. Income levels provided by cash minimum-income benefits

Net income value in % of median household incomes, 2014. Single adults without children.

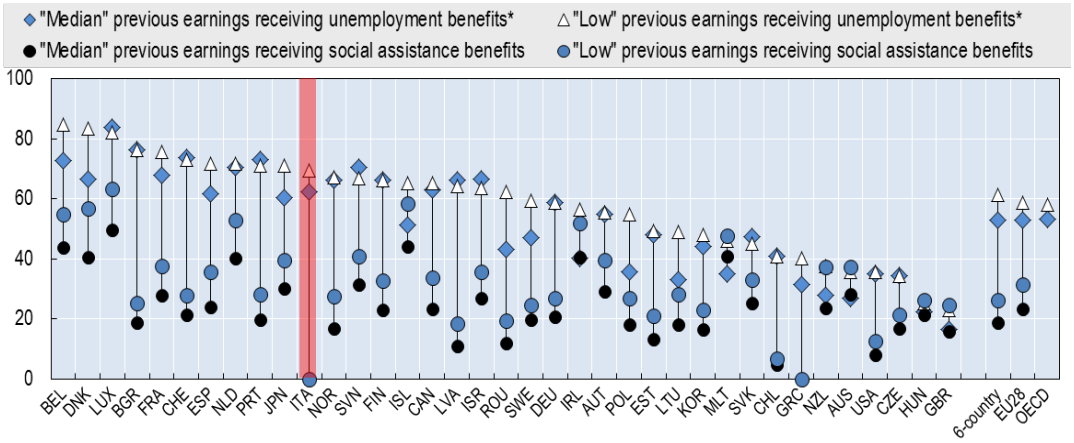


Source: OECD tax-benefit model

7. Only individuals with ISEE (Equivalent Economic Situation Indicator, see Table 4) lower than EUR 6,782 can claim the OSC. Entitlement corresponds to EUR 40/month for 12 months (renewable). The ESC can be claimed by workless families with an ISEE lower than EUR 3,000/year, movable assets lower than EUR 8,000/year, and with at least one child with less than 18 years. ESC entitlements are EUR 231, 281, 331, 404 /month for families with 2, 3, 4, 5+ members respectively. The duration is 12 months (renewable).

Figure 11. Net replacement rates for unemployment benefit and social assistance recipients

Single adults without children, 2014



Note: Net replacement rates (NRRs) show the proportion of net income in work that is maintained after a job loss. * Social assistance benefits are assumed to be available subject to relevant income conditions. For individuals receiving unemployment benefits the NRRs are averages over an 8-month unemployment spell. All figures are calculated for a prime-age worker (aged 40) with a "long" and uninterrupted employment record. Results are shown for two levels of previous earnings: the 2nd and the 5th decile of the full-time earnings distribution. The results do not account for housing benefits.
Source: OECD tax-benefit model

Table 4. Main out-of-work benefits in Italy: entitlement rules, amounts and duration

2014 (reference year of results in Sections 1 and 2)

Social protection branch	Programme *(Italian name)*	Entitlement criteria	Amount	Duration
Unemployment	Unemployment benefit, until Apr 2015 *(ASPI+Mini ASPI+Mobilitá*)	ASPI: at least 52 weeks of contributions in the last 2 years and who paid the first contribution at least 2 years prior to dismissal. Mini-ASPI: employee with non-standard contracts with at least 13 weeks of contribution during the 12 months prior to dismissal. Mobilitá (phased out in 2017): 12 consecutive months of contribution prior to the collective dismissal	ASPI/Mini-ASPI: 75% of the first EUR 1,180 of the gross monthly wage (1,195 in 2015) +25% of the part above. Maximum benefit: EUR 1,152/month. Reduction of 15% after 6 months and by a further 30% after 12 months. Mobilitá: 75.3% of previous earnings (with ceilings) for the first 12 months, 64% afterwards.	ASPI: 8 months if <50 years of age (10 in 2015); 12 months if 50-54 years; 14 months if 55+ (16 in 2015). Mini-ASPI: Half of the weeks of contributions paid during the 12 months prior to dismissal. Mobilitá: 12, 24, 36 months if <40, 40-50, +50 years respectively (up to 48 months in southern regions)
	Unemployment benefit, as of May 2015 (*NASpI + DIS-COL+ASDI*)	NASpI: at least 13 weeks of contributions in the 4 years prior to dismissal plus 30 working days in the 12 months prior to dismissal. DIS-COL: for "*project workers*" with at least 3 months of contributions between JAN 1 of the year prior to dismissal and the date of dismissal, and 1 month of contributions during the year of the dismissal. ASDI: Paid after the NASpI to individuals over 55 living in families with dependent children (<18), and equivalent income <EUR 5,000/year. Means test: ISEE.	NASpI / DIS-COL: 75% of the first EUR 1,195 of the monthly wage + 25% of the part above. Maximum benefit: €1,300/month. The benefit decreases by 3% after the 3rd month. ASDI: 75% of the last NASpI payment.	NASpI: Half the weeks of contributions paid in the 4 years prior to dismissal with a maximum duration of 24 months (18 in 2017). DIS-COL: Half the weeks of contributions paid between JAN 1 of the year prior to dismissal till the date of dismissal. Maximum duration: 6 months. ASDI: 6 months
Incapacity to work	Ordinary incapacity pension (*assegno di invalidità)* and Disability pension *(Pensione di inabilitá)*	Ordinary work incapacity benefit (OIB): Working ability reduced of at least 66% (permanently). Work incapacity pension: Working ability reduced of 100%. At least 5 years of social contributions and at least 3 years of contribution during the 5 years prior the disability event. OIB is compatible with paid work with a reduction of 25% (50%) for earnings higher than EUR 26,098 (EUR 32,622)	Earnings-related calculation for contributions accrued before 2012 and NDC system afterwards. Minimum benefit: EUR 6,525/year (*pensione minima)*. Fully incapacitated persons can claim a care allowance of EUR 512/month (*assegno di accompagnamento*).	Ordinary disability benefit: up to 3 years, renewable up to the retirement age (then it is automatically converted in old-age pension).
	Civil incapacity pension *(pensione di invalidità civile)*	+33% reduction of work capacity due to, e.g., congenital mutilations, blindness, deafness, mental deficiencies. This benefit is compatible with work activity but cannot be accumulated with other disability benefits.	EUR 280/month for individuals with 100% incapacity and annual income < EUR 16,532 and (EUR 4,800 for 79%-99% work incapacity).	Up to the retirement age (than it becomes the state social pension)
Early retirement	Early retirement pension *(pensione di anzianità)*	At least 42 years of contributions (41 for women). Individuals who started working after 1996 can retire before the age of 63 and 7 months if they have at least 20 years of contributions and the pension amount is at least 2.8 times the State Social Pension (EUR 448 per month).	Calculated with the NDC system for those who started working after '95. For those who have worked before '95: 1%, 2%, 4%, 6% reduction in case of retirement at age 61, 60, 59, 58 respectively. The reduction applies only for the pension accrued before '95.	Up to the retirement age.
Family	Maternity leave (*indennità di maternità*) + maternity allowance (*Assegno maternità*)	Maternity leave: All employed women. State maternity allowance: for mothers with unstable jobs. At least 3-month contributions during the period between 18 and 9 months before child's birth. Local maternity allowance: Non-working mother with low income (ISEE<€16955). Accumulation of maternity benefits is not possible.	Maternity leave: 80% of earnings, no ceiling. Paternity leave (from 2015): 100% of earnings, no ceilings. State maternity allowance: lump sum payment of EUR 2,086. Local maternity allowance: EUR 339 per month	Maternity leave: 5 months. Paternity leave: 1 day of compulsory leave (2 days in 2016, 4 in 2018), 2 more days can be taken from the mother's leave days. Maternity allowance: 5 months
	Parental leave (*Congedo parentale*) / Voucher babysitting	All employed parents, except domestic workers, after the expiry of the compulsory leave. The parental leave and the voucher are alternative measures.	Par. leave: 30% of previous earnings if the child is under 3 years (6 years from 2015, and up to 8 years if the wage is less than 2.5 the minimum pension); no ceiling. Voucher: EUR 600/month	Par. leave: 6 months per parent, max 10 months *per child* (11 if the father takes 3+ months). Paid leaves can be claimed till the child turns 4 (6 from 2015); unpaid leaves can be claimed till the child turns 8 (12 from 2015). Voucher: 6 months

Note: The ISEE ("Equivalent Economic Situation Indicator") is equal to the sum of household incomes and 20% of household wealth, divided by the ISEE equivalence scale, see MISSOC for details.
Source: MISSOC, OECD tax-benefit model, National Institute for Social Protection (INPS).

39. Spending on **family**-related earnings-replacement benefits is below the EU average (0.35% of GDP versus 0.6% in EU). Since 2015 fathers can also claim a short paternity leave (one day in 2015, two days in 2016 and 2017, and four days from 2018).[8] **Maternity leave** is mandatory for working mothers and lasts for five months in total (two prior to and three after the date of birth). The leave benefit is 80% of the mother's previous earnings (without ceiling) and does not require a minimum contribution record for eligibility. Women without employment and in low-income households can claim also a ***local* maternity allowance**, which is means-tested and varies between municipalities. INPS provides also for the so-called s***tate* maternity allowance** during employment gaps for mothers with atypical or precarious jobs. Either working parent also has the right to take up to six months of **parental leave** from work for a maximum of ten months *per child*, at any time during the first eight years of the child's life (twelve from 2015). Parental-leave benefit is paid at 30% of earnings for a maximum of six months, but only if it is claimed in the first three years of the child (six from 2015). At the end of mandatory maternity leave, and as an alternative to the parental leave, parents can also claim a **voucher** covering up to six months of purchased childcare services.

40. Recipients and spending on **early retirement pensions** have been falling steadily since 2007 (Figures 7 and 8). This is the consequence of the phasing in of the new Notionally Defined Contribution (NDC) system (started in 1995) and of other recent pension reforms.[9] The statutory retirement age now automatically increases automatically with life expectancy every three years. In 2014 the retirement age was 66 years and three months for men and 63 years and nine months for women, the latter rising gradually to 66 years and seven months by 2018. Early retirement is possible without penalty from age 62 with a contribution record of at least 42 years and six months for men and 41 years and six months for women (these requirements also increase in line with life expectancy). For every year of early retirement pension entitlements are reduced by one percentage point (two ppts for each additional year if the early-retirement age is below 60). Persons who started working under the new NDC system (i.e. after 1995) can retire at age 63 years and three months *without penalties* if they have paid contributions for at least 20 years and their pension entitlement is not lower that 2.8 times the minimum social pension.

3.2. Active labour market policies

41. Active labour market policies in Italy come under the competence of Italian Regions and Autonomous Provinces, entailing a highly differentiated provision of measures and organisational models. Spending on active labour market policies is less than half of the average for the EU in 2014 (Figure 12) and despite the increase of unemployment between 2007 and 2014 the resources allocated to active labour policies fell by 19% in nominal terms during this same period (from EUR 7.1 to 5.8 billion).

42. Low spending levels and the regional dispersion in the implementation of active labour market policies create challenges in terms of service quality and monitoring / coordination of active programmes (under province or regional responsibility) and income support measures (managed at the national level by National Institute for Social Protection, INPS). The lack of a unified IT infrastructure and system for data exchange adds to the

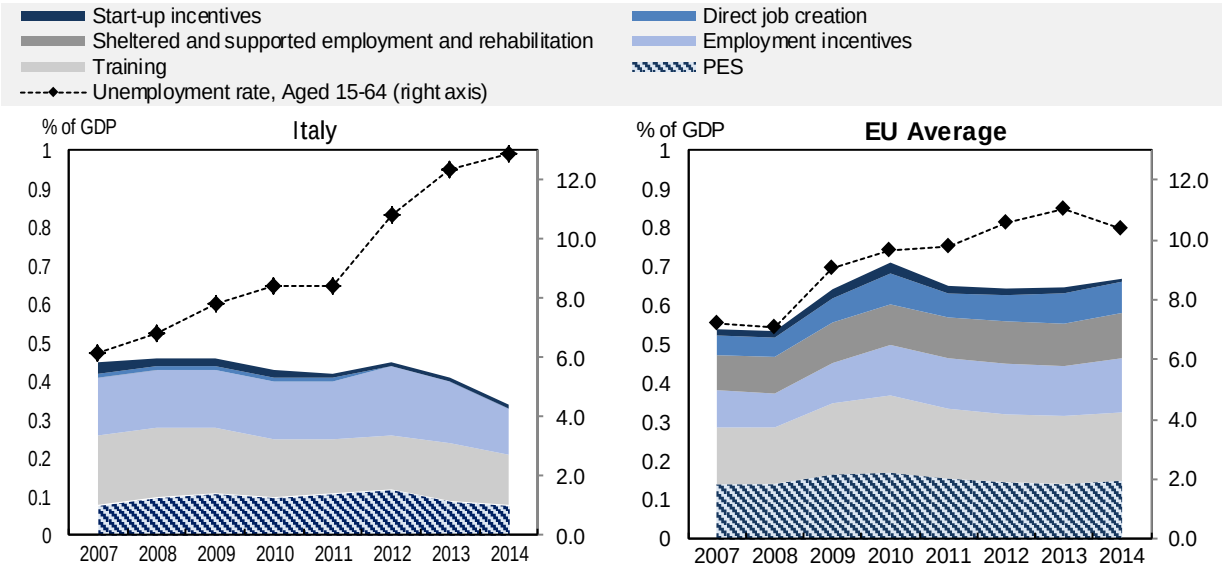
8. In cases of severe illness, death, or abandonment on the part of the mother, fathers may take the unused part of the mother's maternity leave.

9. Since 2012, the pension payment deferment schemes (the so-called "*windows*") and the "*quota system*" (based on the sum of contributions and age) no longer apply except for certain categories of straining jobs.

challenge. One initial attempt to reduce the high regional dispersion in the provision of active labour market policies was made in 2013 with the creation of the "National fund for active labour market policies" (managed directly by the Ministry of Labour and Social Policies, MLSP), and in 2014 with the creation of the Directorate-General for active labour market policies at the MLSP.[10]

Figure 12. Spending on active labour market policies by policy area

% of GDP



Note: Unweighted country averages. PES spending covers the costs for the provisions of services and activities of the PES together with any other publicly funded services for jobseekers.
Source: Calculations based on the OECD LMP database.

43. The 2015 *Jobs Act* reformed the governance of active labour market policies. The new system hinges on the concept of subsidiarity across different institutions and levels of government. Although Regions and Autonomous Provinces remain responsible for the provision of public employment services through their territorial offices, so-called *Centri per l'impiego* (CPIs),[11] a new national agency, ANPAL ("*Agenzia Nazionale Politiche Attive del Lavoro*"), coordinates and supervises service provision on the ground and can intervene directly in the management of regional active labour market policies if employment-services quality falls below predefined minimum standards (*Livelli essenziali delle prestazioni* – LEP). Under the new governance system, the MLSP defines the national strategy on active labour market policies, sets minimum standards and stipulates legal agreements with each Italian region defining responsibilities and obligations for the provision of employment services, including the role of ANPAL if minimum service levels

10. The Directorate-General for active labour market policies was suppressed in 2015 and the related tasks were delegated to the National Agency for Active Labour Market Policies (ANPAL – See Box 3). The DG had the mission to coordinate and supervise on the provision of active labour market policies; it was responsible for collecting data on employment services, defining national guidelines for the design of active labour market policies, monitoring data collection and evaluating the effectiveness of the implemented measures.
11. Before 2015 the CPIs came under the competence of Italian Provinces.

are not achieved.[12] These bilateral agreements are a legal instrument for achieving a degree of national coordination, considering that the management of active labour market policies come under the competence of local authorities according to the constitution.

Box 2. The Agency for Active Labour Market Policies (ANPAL)

One of the main novelties of the *Jobs Act* reform package is the creation of the National Agency for Active Labour Market Policies (ANPAL), responsible for coordinating and supervising the network of employment services:

- National Institute for Social Protection (INPS) providing employment subsidies and income support measures;
- Institutions delivering employment services at the local level, i.e. the regional network of PES, private (accredited) employment placement agencies, chambers of commerce, universities, training providers, secondary schools, etc.
- Institute for Insurance against Accidents at Work (INAIL), responsible for job placement of individuals with disabilities;
- National Institute for the Analysis of Public Policies (INAPP) who is for monitoring and evaluating the actual implementation and outcomes of labour market policies;

ANPAL is also charged with a number of executive responsibilities, such as directly managing outplacement measures for workers or companies in crisis (especially those negotiating collective dismissals or needing access to wage guarantee funds such as the "CIG"). ANPAL also manages the "*re-integration voucher*" (see Table 6), the integrated nation-wide labour-market policy IT system, and other national ALMPs funded with ESF budget 2014-2020.

Finally, ANPAL sets out requirements for the certification of private bodies in the provision of employment services, defines accreditation procedures, and provides guidelines for the implementation of regional ALMPs.

About 395 employees were transferred to the new agency from the Ministry of Labour and Social Policies and from the National Institute for Analysis of Public Policies (INAPP, formerly ISFOL, a public body tasked with conducting research and evaluation on labour policies). ANPAL controls ANPAL-Servizi (ex "*Italia Lavoro*"), a joint-stock company owned by the Ministry of Economy and Finance, whose mission is to promote and provide employment services.

Source: ANPAL (2017)

Public employment services

44. As total active labour-market expenditures, spending on Public Employment Services (under 0.08% of GDP) was also substantially below EU average in 2014 (0.16%). The Public Employment Service (PES) comprises 536 territorial offices, the so-called *Centri per l'Impiego* (CPIs), which are part of the local administrations (Regions and Autonomous Provinces) and employed about 8,400 workers in 2014 (ISFOL, 2015a). The majority have a permanent contract (88%) and around half of all staff are concentrated in the southern regions where the demand for employment services is substantially higher

12. In practice, every three years the MLSP enacts a ministerial decree containing the national strategic plan for active labour market policies. The plan contains the minimum standards ("*Livelli essenziali delle prestazioni*" – LEP) for the provision of employment services and the related outcome indicators (for monitoring purposes).

(Table 5). Jobseekers can in principle access CPI services regardless of whether or not they are entitled to social benefits. Common services include career guidance, collection, submission and promotion of job vacancies, profiling, support for self-employment and entrepreneurship, support to the employers, assistance to the disabled and disadvantaged groups.

Table 5. Distribution of PES employees by type of contract and geographical area

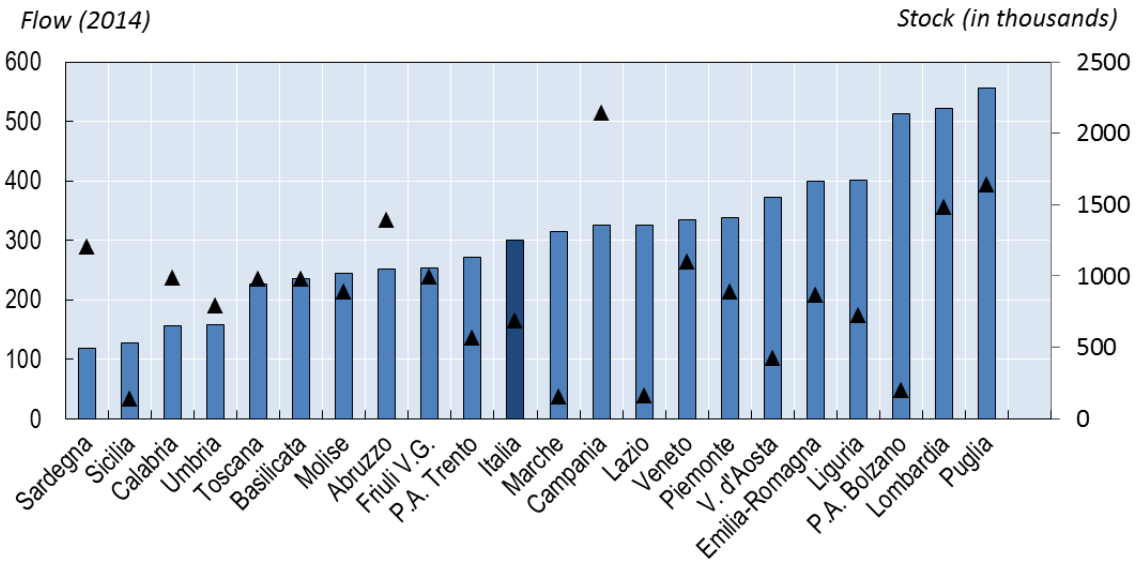
	Short-term contracts	Open-ended contracts	Collaborators	Total	% of employees working in front-office	Registered unemployed (in thousands)
North-West	58	1254	120	1432	78%	1661
North-East	95	1192	24	1311	82%	1189
Central	237	1496	69	1802	80%	1812
South and Islands	365	3818	70	4253	70%	5030
Italy	**755**	**7760**	**283**	**8798**	**75%**	**9692**

Source: ISFOL (2015a).

45. In 2014, the 8,400 staff dealt with more than 2.5 million new jobseekers, translating into 301 new cases per average PES staff member during the year (Figure 13). With the only exception of Puglia, the CPIs with the heaviest workloads, calculated in terms of new cases per year, are all located in the Northern regions, especially in Lombardia and the Autonomous Province of Bolzano. Limited work-related skills among some groups of CPI caseworkers may compound bottlenecks in terms of service capacity or quality. For instance, 57% of caseworkers have no more than a lower secondary degree (63% in southern regions – see Figure 14, Panel A). Staff with tertiary degrees are in general short-term collaborators or employees on fixed-term contracts (Figure 14 – Panel B).

Figure 13. Registered jobseekers per PES employee

New registrations during 2014 (left axis, blue bars) and stock (right axis, black markers), by region

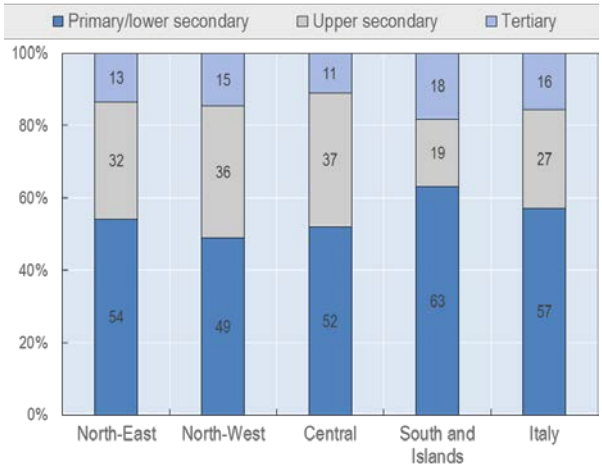


Source: ISFOL (2015a).

Figure 14. Qualifications of PES employees

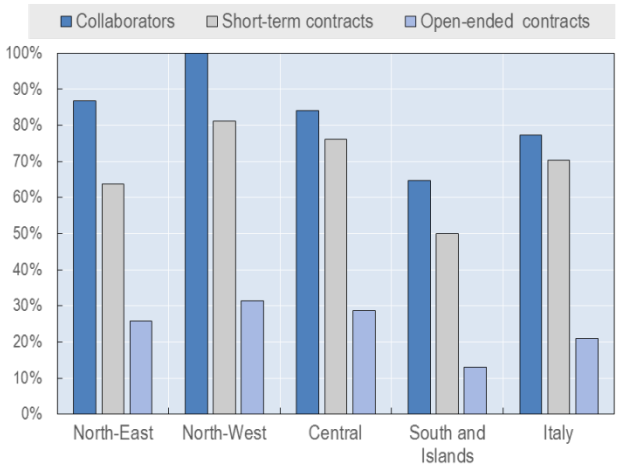
Panel A

Distribution of PES employees by education level



Panel B

Share of PES employees with a tertiary degree by type of contact



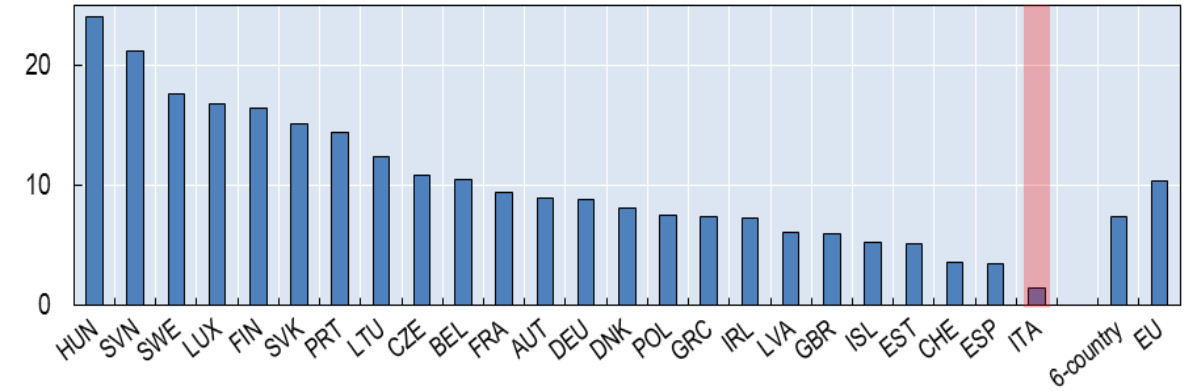
Note: "North-East" includes Veneto, Friuli-Venezia Giulia, Emilia Romagna and the two autonomous provinces of Bolzano and Trento; North-West includes Piemonte, V. d'Aosta, Liguria and Lombardia; "Central" Italy includes Toscana, Umbria, Marche and Lazio; "South and Islands" includes Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicilia and Sardegna.
Source: ISFOL (2015a).

46. Capacity problems help explain why jobseekers appear not to use PES services widely as a main resource for job seeking. Only 1.5% of employees in Italy who started a new job in the last 12 months say they found it with the help of the PES (Figure 15 – Panel A). The share of ILO unemployed who are registered in a local PES is just above 50% (Panel B, 70% in the EU on average) and only 25% of the unemployed contact the local office on a monthly basis (54% in the EU, on average). This suggests that jobseekers are more likely to find employment through other channels even when they are registered with the PES. According to Eurostat data, more common channels of job finding in Italy include studying advertisements (69% of all unemployed in 2014), contacting the employers directly (71%), as well as informal contacts such as friends or family (84%).

Figure 15. How important is the public employment service (PES) as a "job broker"?

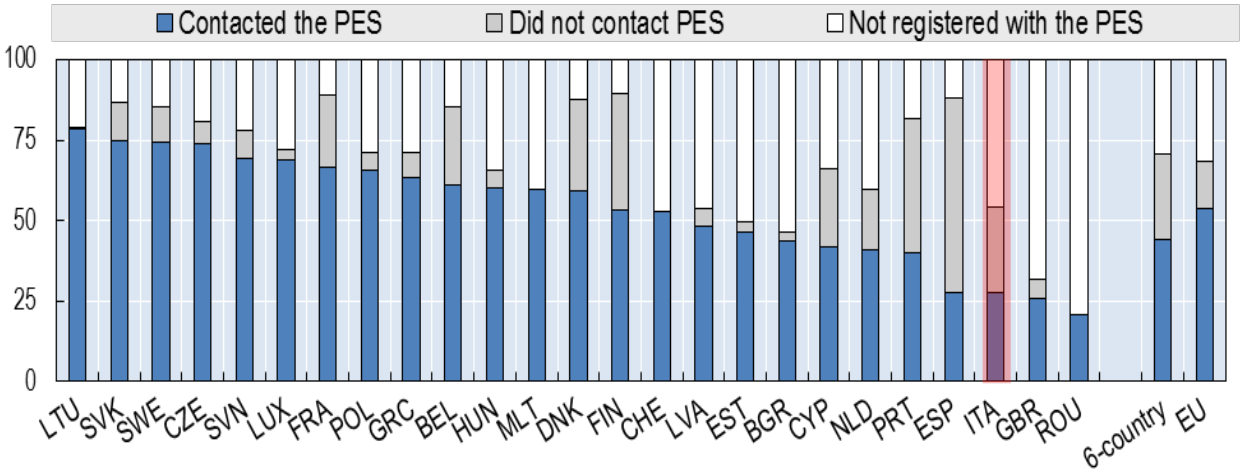
Panel A: Involvement of the PES in finding current job

In % of employees aged 25-64 who started a job during the previous 12 months, 2014



Panel B: Jobseekers who contacted the PES office to find work during the last four weeks

In % of unemployed aged 25-64, 2014



Note: Unweighted averages. Norway and the Netherlands are excluded due to high incidence of non-response in the data.
Source: Calculations based on EU-LFS 2014.

47. Before 2015, jobseeker registration was done at the CPI office without further systematic communication or data exchange between regional and central authorities, without the support of a standardised profiling tool, and without systematic use of a personalised service agreement/plan. Following the reforms, clients now register through a national online portal (*Portale Nazionale delle politiche del lavoro*) where they fill a form (so-called DID, *Dichiarazione di Immediata Disponibilità*) stating their immediate availability to work, which makes them eligible for the provision of employment services and unemployment support. Through the online portal, clients also reach a mandatory profiling tool that calculates the so-called "employability score", indicating – not unlike the "opportunity" indicator used in the empirical part of this paper – the jobseeker's estimated chances of finding a job within 12 months based on a set of observable

characteristics (age, education, etc.).[13] The PES uses this score for packaging and tailoring suitable active measures. Following registration, clients have to contact their CPI within 30 days, where a caseworker analyses the employability score and proceeds with drafting the personalised service agreement (*Patto di servizio personalizzato*).

48. In addition, the *Jobs Act* incorporates:

- A requirement to specify, as part of the service agreement, **sanctions** for deviations from provisions of the agreement. Scope and amounts of these sanctions are defined directly by the national law (see section 3.1).[14] CPIs are required to communicate sanction decisions to ANPAL, and INPS then executes the resulting benefit adjustments within 15 days. The three institutions communicate through an integrated IT system managed by ANPAL. Regions receive 50 per cent of the national NASpI funds saved as a result of sanctions and are required to earmark them for productivity-related payments to PES staff. The remaining 50 per cent of benefit savings goes to the national fund for active labour market policies.
- Legislative provisions for a **quasi-market** of employment services, with competition between public and private (accredited) providers (ISFOL 2016a). ANPAL plays a key role through the setting of national quality standards and accreditation.[15] Private providers generally still apply to and receive accreditation from the regional authorities but the process is now based on national criteria and quality standards supervised by ANPAL through a national register of private accredited providers. A concrete element of competition is introduced through the so-called **re-integration voucher** (Table 6), a new national active labour market measure that jobseekers can access after four months of receiving unemployment insurance benefits.[16] The voucher can be spent on selected employment services provided by either a CPI or an accredited (private) provider. Providers can cash the voucher only at the end of the programme, through a performance-based remuneration system considering, among other things, employment outcomes (see Table 6 for details). The re-integration voucher is currently being tested with a randomised-control trial (March 2017-September 2017) involving 30,000 potential beneficiaries and is to be rolled out nationally by the end of 2017.

13. The calculation of the employability score is a prerequisite for the finalization of the DID procedure. The score is calculated with a statistical profiling tool developed, managed and updated directly by ANPAL. The model is based on data from the Labour Force Survey.

14. The unemployment benefit is cut by one fourth if recipients fail to attend a meeting with the PES caseworker or participate in job-orientation measures; in case of second failure, the benefit is suspended for one month, whereas the third failure leads to the "highest sanction", i.e. the jobseeker loses entitlement and has to wait two months before applying again. This sanction is applied also when the jobseeker fails to attend for the second time, and without justified reasons, one lesson of the vocational training course included in the activation plan (the first failure leads to a one-month suspension of the benefit), or if the recipient rejects an adequate job offer.

15. ANPAL publishes the rating of employment service providers directly in the online portal, to facilitate an informed selection of service providers by jobseekers. Ratings are assessed in terms of short and medium term labour market outcomes, controlling for job-seeker characteristics as summarised by the employability score. ANPAL can exclude providers with low ratings from the list of accredited providers in case of persistent low performance.

16. Jobseekers who decide not to claim the voucher will continue with the service agreement they have stipulated with the CPI office. However, once they have claimed the voucher they must (re-)stipulate an intensive job-search plan with their selected provider.

Table 6. The "re-integration voucher": input and outcomes

Input	Outcomes
Programme name and objectives: National name: "*Assegno di Ricollocazione*". Objective: Labour market re-integration of jobseekers. Organisation responsible for delivery: ANPAL Target group: recipients of unemployment insurance for at least 4 months. Selection of participants: NASpI recipients apply from the ANPAL web portal. Within 60 days, the CPI office where they have stipulated the service agreement organises the 1st meeting. During this meeting the CPI provides the jobseeker with the credentials to access the list of public and private providers from the ANPAL portal. If the CPI fails to contact the jobseeker after 60 days, the latter can "bypass" the CPI and interact directly with ANPAL, which replace de-facto the regional authority in the provision of employment services. Potential participants. Stock: Approximately 628.000 people received the NASPI for at least 120 days (as of May 2016). Flow: Approximately 98.000 are expected to fulfil the necessary requirements *every month*.	Content of the programme - Tutoring - Intensive job-search plan. This plan can include the promotion of the jobseeker's profile to potential employers; selection of relevant vacancies; assistance during pre-recruitment and early stages of employment; participation in vocational re-qualification activities) - Voucher for the job-search provider. The amount depends on the employment outcomes: between EUR 1000-5000 for open-ended contracts; EUR 250-2500 for FT contracts of 6+ months; 250-1250 for FT contracts of 3-to-6 months. Providers can cash the voucher only at the end of the programme. The actual amount depends on the jobseeker's employability score, with lower scores leading to higher amounts (to avoid "creaming" effects). If employment is not achieved, the provider receives only EUR 106.50 (equivalent to the cost of 3 hours of admin work). Duration: 6 months (plus 6 months if the voucher has not been spent completely during the first 6 months). How programme is delivered: providers are responsible for the service. They appoint a tutor and manage communications with the CPI. The CPI validates the applications and submits the requests to the centralised IT System. The IT system calculates the voucher amount based on the employability score. The CPI supervises and applies sanctions if needed. Monitoring process: ANPAL

Source: Country responses to OECD policy questionnaires.

Active labour market programmes

49. Notwithstanding the PES' key role as a "job broker" (i.e. placement and job search assistance) in EU and OECD countries, a majority of total spending on active labour market policies goes towards active labour market programmes (ALMPs) that seek to address employability issues for specific disadvantaged target groups (see Figure 12). This is also the case in Italy, where however spending on both the PES and ALMPs is low compared to other countries. Nonetheless, participation in ALMPs is broadly in line with the average for the EU, though it has been decreasing since the onset of the economic crisis (Figure 16): in 2014, 4.4% of the labour force participated in ALMPs, down from 7% in 2007. The biggest programmes in terms of participation are training activities (56% of all participants) and targeted employment subsidies (43%).

Figure 16. Participation in active labour market programmes

Participants in % of the labour force

Note: The breakdown of participants by type of programme is incomplete before 2013.
Source: OECD LMP database.

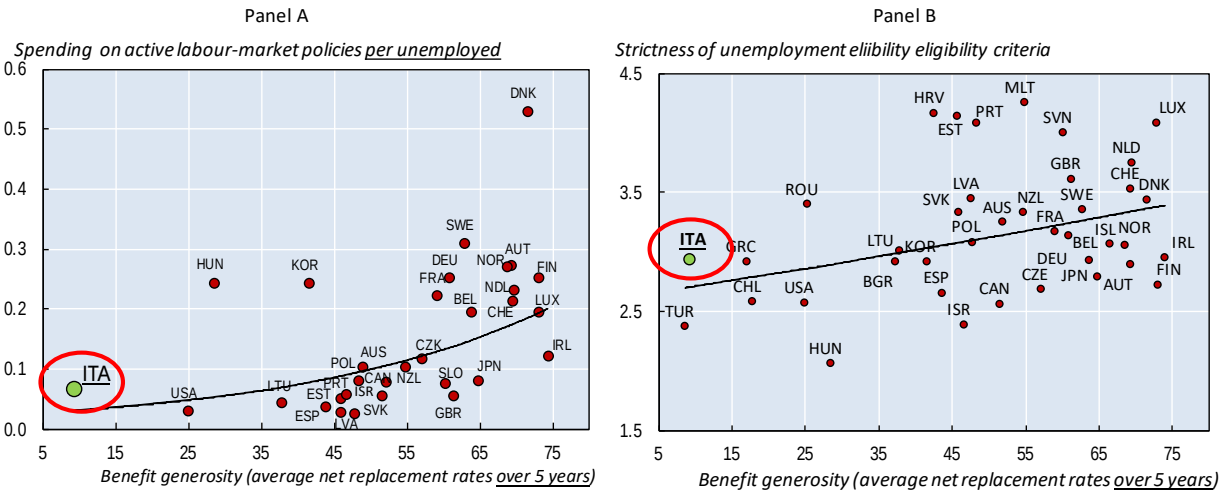
50. Training activities are also the biggest category of ALMP spending (38% of the total budget including the PES - see Figure 12). For unemployed with a recent employment record, entitled to unemployment benefits and (hence) obliged to register with the PES, this distribution of spending may represent a relatively efficient use of the limited resources dedicated to active labour market policies in Italy. For instance, PES and training programmes tend to have better medium-to-long-term outcomes than job creation measures (Card et al., 2010, 2015).[17] However, spending for disabled individuals (mainly sheltered and supported employment and rehabilitation measures) and direct job creation programmes (public works) are extremely small compared with other countries. Employment incentives (targeted employment subsidies) represented the second biggest category of ALMP spending in Italy in 2014 (35% of total spending, see Figure 12). Although international experience suggests that employment incentives are an important tool for promoting the employability of low-skilled workers by bringing their labour cost in line with productivity, these programmes may have only short-term effects and come with large deadweight losses, i.e. hiring in many cases would have occurred also without the subsidy (Boone and van Ours, 2004, Kluve, 2010).

51. The services provided by the PES (or private providers) are best seen as a package of policy tools, including financial incentives, obligations of job seekers, and programmes that address specific employment barriers on the supply and demand side. To characterise countries' overall activation stance, it is useful to examine how they differ in terms of the balance of these different measures. Figure 17 (Panel A) shows a positive non-linear relationship between ALMP spending *per unemployed* and the generosity of out-of-work support as proxied by the average net replacement rates for unemployment benefit recipients *over a 5-year length*. Italy spends little on ALMPs and the generosity of out-of-work benefits for long-term unemployment benefit recipients is also among the lowest in the OECD. Panel B shows a weak positive relationship between strictness of benefit

17. Training activities may however reduce unemployment outflows in the short term, as individuals engaged in such programmes typically reduce job search efforts ("lock-in" effects).

eligibility and generosity of out-of-work support. Italy's strictness of benefit eligibility is comparable high to other countries with similar levels of benefit generosity. This simple country comparison suggests scope for improving benefit generosity for long-term unemployment benefit recipients without making claiming unemployment benefits too attractive. Provisions in the *Jobs Act* discussed above have indeed gone in this direction by linking the duration of the unemployment benefit to the effective weeks of contribution and increasing the maximum duration of the support from 8-14 months (depending on age) to 24 months (see Table 4).

Figure 17. Balance between different activation policy measures



Note: For the strictness of eligibility criteria see note of Figure 8. Spending for ALMPs includes: PES, training, employment incentives, disabled, direct job creation, and start-up incentives. Spending is per ILO unemployed and defined in % of GDP per capita. Net replacement rates are for a prime-age worker (aged 40) with a "long" and uninterrupted employment record and are averages over 60 months, four different stylised family types (single and one-earner couples, with and without children) and two earnings levels (67% and 100% of average full-time wage). Households can receive social assistance and housing-related benefits depending on eligibility.
Source: OECD tax-benefit models, OECD LMP database and Langenbucher (2015).

4. Overcoming employment barriers: Policy challenges and priorities for selected groups

52. The remainder of this paper focuses on the policy settings relevant for three of the thirteen groups identified by the statistical clustering analysis and examines whether the policies are well suited for addressing the main employment barriers that group members face. The groups selected for the policy inventory are as follows. The selection reflects discussions with national authorities and with the European Commission on contemporary policy debates, and on the expected added value that the analysis is expected to provide in this context:

- **Group A**: "Discouraged younger adults with limited work experience", who represent 10% of the target population.
- **Group B**: "Labour-market inactive mothers with care responsibilities and limited work experience", 7% of the target population.
- **Group C**: "Labour-market inactive mothers with care responsibilities and without any past work experience", 6% of the target population.

53. Section 4.1 describes these groups. For each group, a box shows extent and degree of overlap of the main employment barriers and reports other selected individual and household characteristics occurring frequently among group members. Section 4.2 then provides an inventory of policy measures that are most relevant for the individuals of each group, including basic information on programme design, context and history, and highlighting situations where policies may not be accessible to group members, or may not have the intended effect.

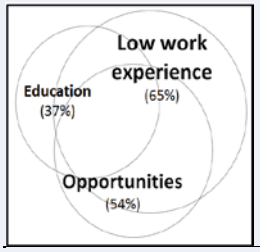
4.1. Anatomy of employment barriers for selected groups

Group A: "Discouraged younger adults with limited work experience"

54. Individuals in Group A are relatively young (average age 32 years, 57% below 30) and face a complex employment-barrier profile combining low work-related capabilities and scarce job opportunities. The majority (91%) had been unemployed throughout the reference period but at the moment of the interview only few of them were actively seeking employment. This suggests that many have become discouraged as a consequence of prolonged joblessness. Only a small share have a post-secondary degree and more than one third have not completed an upper-secondary degree. All report some past work experience (8 years, on average) but this is low compared to their "potential" experience (see Annex 2).

Box 3. Group A: "Discouraged younger adults with limited work experience"

Main employment barriers[1]



Selected characteristics[2]

- 32 years old (average)
- Unemployed/inactive (average unemployment spell: 12 months)
- 8 years of paid work (average)
- 12 years of schooling (average)
- Average equivalised disposable income: €11,819 (2nd quintile)
- 2.2 simultaneous employment obstacles (average)

% of th Target P

Note: 1.) Surface areas of shapes in the diagram are proportional to the number of group members facing the related barrier ("*Proportional Venn Diagrams*"). The outer square represents the group size (100%). The diagram shows the three most prevalent barriers in the group and is based on the indicators discussed in Annex 2. An exception is the recent work experience indicator. Although this is one of the employment barrier indicators included in the analysis, it is not shown in the diagrams as its high prevalence (due to the strong two way causal links with the other barriers) would dominate all other barriers in the graphical representation.
2.) Characteristics that distinguish this group from other groups, i.e., categories that have a high probability of occurring in the group. Table A1.2 reports individual and household characteristics in more detail. Income quintiles are calculated for the entire population.
Source: Calculations based on EU-SILC 2014, see Annex Tables A1.1-A1.3 for full results.

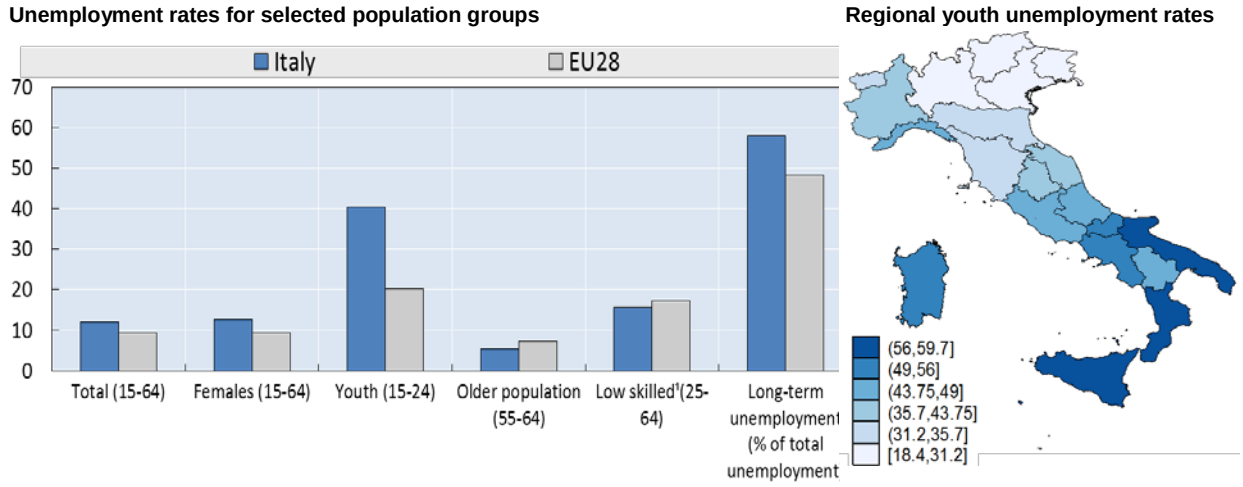
55. Many individuals in **Group A** are youth who had actively sought employment for more than twelve months before becoming discouraged. Also, the extent of overlap between capabilities and opportunities obstacles shown in Box 4.1 suggests that part of their employment problems relate to poor educational outcomes and an unsuccessful school-to-work transition.

56. Promoting **job creation** remains a key challenge for improving the employability prospects of young people in **Group A**, especially in view of the slow recovery from the economic crisis (see Section 2). Youth are one of the groups who were especially hard-hit, with youth unemployment rates more than doubling between 2007 and 2014 and unemployment in 2015 remaining 20ppts higher than for the EU on average (40.3% against 20.3%). The situation is most dramatic in southern regions, where the youth unemployment rate in 2014 reached 59.7% in Calabria and 57.1% in Sicily (Figure 18). [18]

18. Recent evidence shows that the Italian centralised system of collective bargaining leads to a compressed nominal wage structure which can further increase regional disparities in terms of unemployment and real wages (Boeri et al., 2017). Although Italy is making efforts to make the wage setting mechanism more flexible, a comprehensive reform of the wage bargaining system is not in the reform agenda (OECD, 2017).

Figure 18. High youth unemployment with significant variation across regions

2014



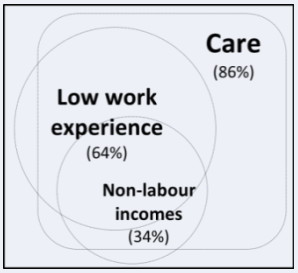
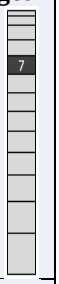
Source: own calculations based on EU-LFS data. Values in the legend refer to minimum and maximum regional youth unemployment rates for a given colour shading.

Group B: Labour-market inactive mothers with care responsibilities and limited work experience

57. Individuals in **Group B** are prime-age women (average age 37) with children and living together with a working partner. The majority have more than one child and the youngest child is of pre-school age receiving less than 30 hours of non-parental childcare per week. As the mother is often the only non-employed family member, care responsibilities represent a significant employment barrier for most of them. Some group members receive family benefits and can draw on significant household income, notably from their partner's earnings, which might affect financial work incentives. All group members have worked in the past but their overall work experience is low compared to their potential experience (given their age and graduation year).

58. Individuals in **Group B** face multiple simultaneous employment barriers combining low work-related capabilities and weak work incentives. Similar to Group A, they have worked in the past before losing (or quitting) their job. However, while Group A had sought employment for a long time before becoming discouraged, Group B had been economically inactive for a long time and many likely stopped working around the time of child birth. This reasoning is consistent with the average age of Group B (37), the average years of past work experience (10), and the average age of the youngest child (5) reported in Table A.1. These data also suggest that Groups A and B could, to some extent, be viewed as snapshots of similar individuals at different points during their life cycle. For instance, some women in Group A who recently become discouraged and abandoned active job search may end up as longer-term labour-market inactive women, such as those in Group B, unless employment-support measures succeed at reintegrating them into the labour market.

Box 4. Group B "Labour-market inactive mothers with care responsibilities and limited work experience"

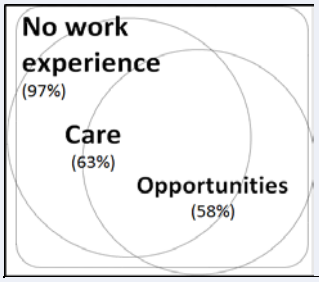
Main employment barriers	Selected characteristics	% of th Target P
	– 37 years old(average) – Women – Inactive/part time employed with care responsibilities – Couple with children – 10 years of paid work experience (average) – 12.4 years of schooling (average) – Average equivalised disposable income: €14,056 (3rd quintile) – 2.6 simultaneous employment obstacles (average)	

Note: See notes to Box 4.1.

Group C: Labour-market inactive mothers with care responsibilities and without any past work experience"

59. Group C also includes mostly prime-age women (average age 36) with young children of pre-school age. Similar to Group B, these mothers are often the only non-working family member and therefore care responsibilities represent an important employment barrier for most of them. Another similarity with Group B is that almost all women in Group C have been labour-market inactive throughout the reference period (12+ months). However, in contrast to Group B, they do not report *any* past work experience and they have lower education levels (10.3 years on average against 12.3 for Group B, 55% failed to complete an upper-secondary degree). Although 81% have a working partner, their household incomes are low, with an average just above the Eurostat poverty line, and 47% at risk of poverty (see also Table A1.3).

Box 5. Group C "Labour-market inactive mothers with care responsibilities and any past work experience"

Main employment barriers	Selected characteristics	% of th Target P
	– 36 years old (average) – Women – Inactive with care responsibilities – Couple with children – No past work experience – 10.3 years of schooling (average) – Average equivalised disposable income: €9838 (2nd quintile) – 3.1 simultaneous employment obstacles (average)	

Note: See notes to Box 4.1

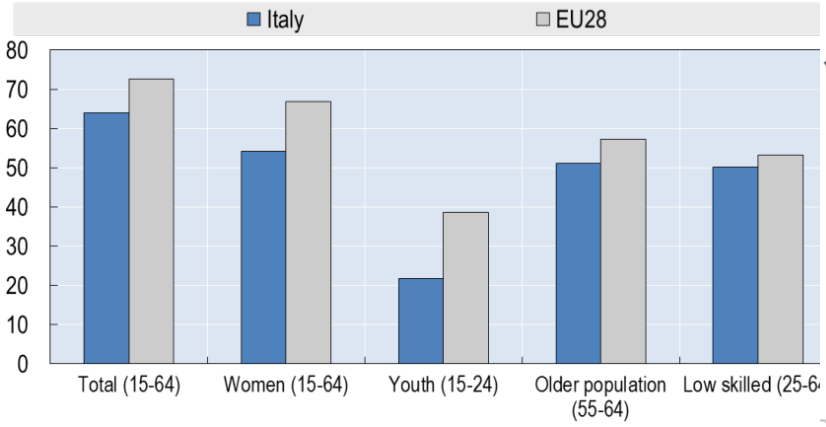
60. Individuals in **Group C** have never completed the transition from school to work. Their low education, inexistent work experience and the fact that the majority live in economically disadvantaged areas of Italy, help explain why women in **Group C** also face scarce job opportunities.

61. Nearly all members of **Groups B** and **C** are labour-market inactive women. Italy's low overall labour force participation is driven to a large extent by high inactivity rates among women and youth (Figure 19, OECD, 2017; EC, 2016). Women's activity rate was 54% in 2014, 15ppts below the EU average, and again shows significant variation across regions, with rates ranging between 66.5% in Valle D'Aosta and 36.1% in Sicily.

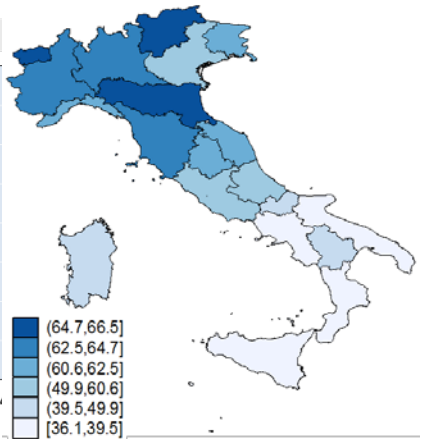
Figure 19. Low activity rates among women

2014

Activity rate for selected population groups



Women's activity rates by region



Source: own calculations based on the EU-LFS data. Values in the legend refer to minimum and maximum regional youth unemployment rates for a given colour shading.

4.2. Overcoming key employment barriers: inventory of policy measures

62. Building on the group profiles presented above, this section seeks to take stock of policy measures that are likely to be particularly relevant for group members. It also seeks to examine whether existing policy configurations appear well suited to help group members overcome the employment barriers they face.

63. Similar to Section 3, policy measures are broadly organised under four domains: **income support**, **public employment services**, **active labour market programmes**, and **other measures**. The section concludes with a summary of recent reforms and a discussion of policy priorities for each of the three groups.

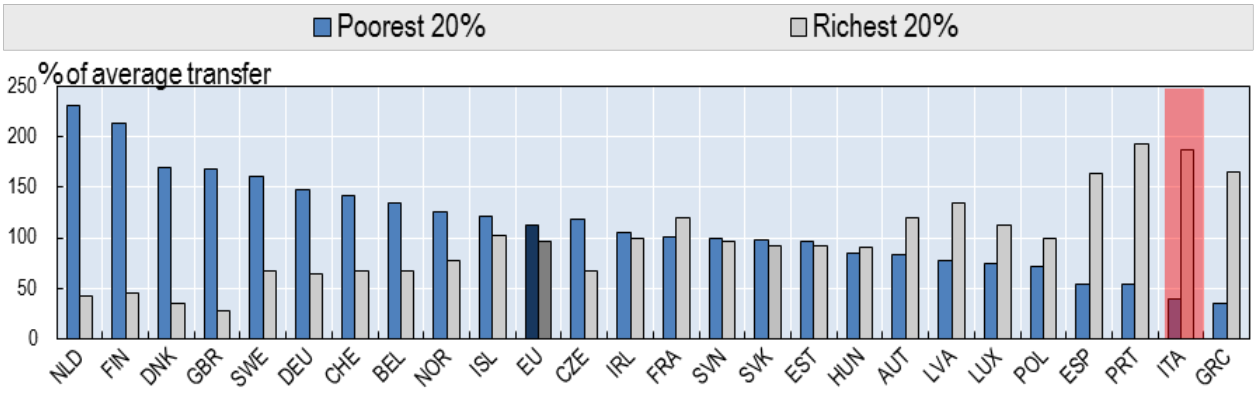
4.2.1. Income support

64. Income support in Italy is not tightly targeted to the poor (Figure 20). **Groups A, B** and **C** face high risks of poverty or social exclusion (43%, 29% and 47%, respectively – see Table A.1) and are not well covered by the social safety net. For instance, the majority of **Group A** are long-term unemployed but only 29% receive unemployment benefits and a very small number of them (3%) benefit from social or housing assistance. Family benefits are received by 30% of **Group A** and 57% of **Group C**. The main national family cash benefits in Italy are not available for workless families and exclude entire categories of workers (e.g. families of self-employed workers). During the reference period 2013-14, there was no generally applicable unemployment assistance benefit (especially relevant for **Group A**) and minimum-income benefits (especially relevant for **Group C**).

65. Income support for working age families went through a number of reforms during and after the 2013-14 reference period covered in this report, as discussed below. The discussion is organised in three sub-sections focussing, in turn, on unemployment benefits, support for families with children, and social assistance benefits.

Figure 20. Comparatively little support for low-income groups in Italy

Transfers received by working-age individuals in low and high-income groups, 2013 or latest year available



Note: Data for Italy refer to 2014.
Source: own calculation based on the OECD Income Distribution Database.

Unemployment benefits

66. Although Group A consists entirely of long-term unemployed, the majority (71%) did not receive support during the reference year. Key reasons for non-coverage include:

- **Expiry of benefit entitlements.** The maximum duration of unemployment insurance benefits in 2014 was 8 to 14 months depending on age. Individuals in **Group A** are aged 32 on average, which would have entitled them to 8 months of benefits subject to eligibility (see Section 3). The new NASpI benefit (see Section 3) has a longer maximum duration and the effective duration depends on the length of the contribution record. With this new system, a representative individual of **Group A** with eight years of past contributions would in principle be entitled to 24 months of support.
- **No entitlement to start with.** Individuals in **Group A,** who had been employed on non-standard contracts might not have met entitlement conditions for insurance benefits at the moment of the layoff (i.e. during 2011/2012, on average). The extent of non-standard contracts among youth employees is comparatively high in Italy (52% of youth employees in the age range 15-24, OECD employment database) and often these contracts give rise to precarious forms of employment. For instance, the labour code classifies as self-employment activities the so-called "coordinated and continuous collaborations" (co.co.co) and the "projects-based collaborations" (co.co.pro), though in practice they characterise a stable employment relationship. Co.co.co and co.co.pro contracts represented 14.5% of all temporary contracts in 2014, with a high concentration among individuals that are likely to be part of **Groups A** and **B** (youth, younger prime age workers and women – see ISFOL 2016a). Before 2014, displaced workers who had been on co.co.co and co.co.pro contracts were not entitled to unemployment insurance. Instead, they could claim a lump-sum benefit paid at the end of the fiscal year. As of January 2016, these contracts have been abolished for new hires and those with active contracts were able to access an ad-hoc unemployment insurance scheme ("**DIS-COL**", see Table 4). Finally, the new NASpI benefit has less stringent entitlement criteria compared with the previous system.[19] Calculations provided by INPS show an increase of NASpI coverage especially for fixed term contracts and seasonal workers (Table 7).

Table 7. Estimated coverage and duration of unemployment insurance before and after the *Jobs Act*

	Coverage *(program name)*			***Duration***
Type of contract	Before (*ASpI/mini-ASpI*)	After (*NASpI*)	*Change*	Share of recipients who receive NASpI for at least *one month more* than ASpI/mini-ASpI
Open-ended	98.1	98.8	*0.7*	78
Fixed term	85.1	89.4	*4.3*	68
Temporary agency workers	84.0	88.6	*4.6*	67
Apprentices	92.5	93.6	*1.1*	35
Seasonal workers	82.3	89.6	*7.3*	50
Total	95.9	97.2	*1.3*	69

Note: Estimates based on 2014 data on unemployment benefit recipients.
Source: INPS.

19. Workers are eligible for unemployment insurance if they made at least 13 weeks of contributions in the past four years and have worked at least 30 days in the past 12 months before they claim the NASpI. The previous scheme, instead, required at least 52 weeks of contributions in the last two years with *the first payment* made at least two years before the layoff.

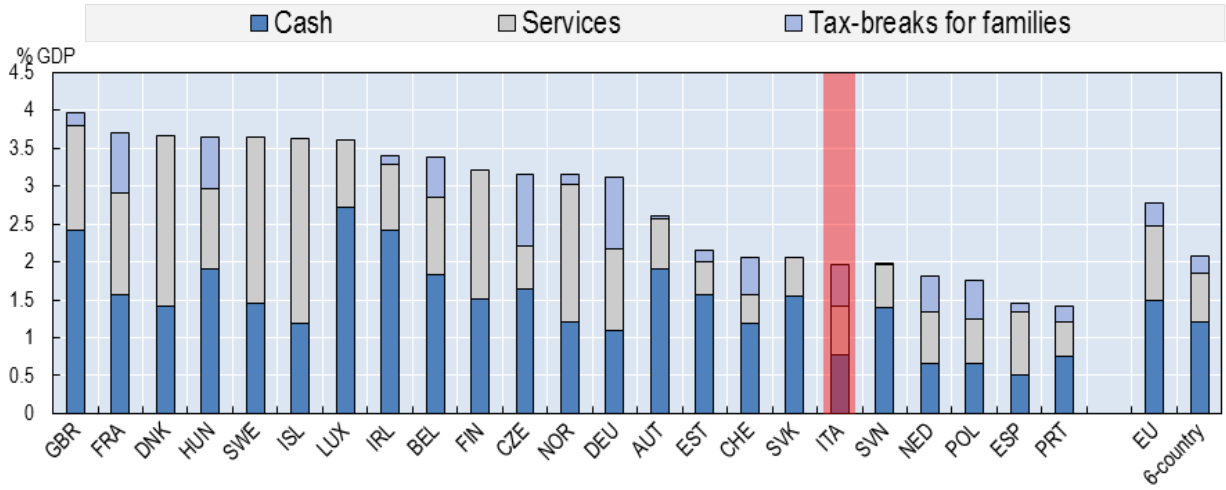
Family benefits

67. Overall cash and in-kind **support for families with young children** in Italy is below the EU average (Figure 21). Although 100% and 87% of individuals in **Groups B** and **C** respectively have young children and are therefore potential beneficiaries of family benefits, more than 40% of group members did not receive cash family support during the reference period.

68. The majority of **Group B** and **C** receive cash support for their young children mostly through the so-called "*Assegni al Nucleo Familiare*" (*ANF*), a means tested allowance for families of employees. The working partner can claim cash support also in the form of family tax credits. Although family allowances and family tax credits are the most important source of cash support for families with children (88% of total spending for families in 2014, Bosi 2016) coverage is low and targeting to low-income groups weak (Bosi, 2016; Baldini et al., 2007). Only families with at least 70% of their income from employment sources can claim the allowances, thus excluding jobless households and households of self-employed workers. Family tax credits are not refundable, which means that low earners may not gain much from this measure. Also, family allowances and family tax-credit entitlements are based on a different means test: Tax credits decline with individual taxable income, whereas family allowances consider the incomes of both parents but not of other adults. As a result, families living with other well-off members can potentially receive the maximum benefit, reducing their targeting efficiency.

Figure 21. Public spending on family benefits is low

% of GDP, 2013 and latest available

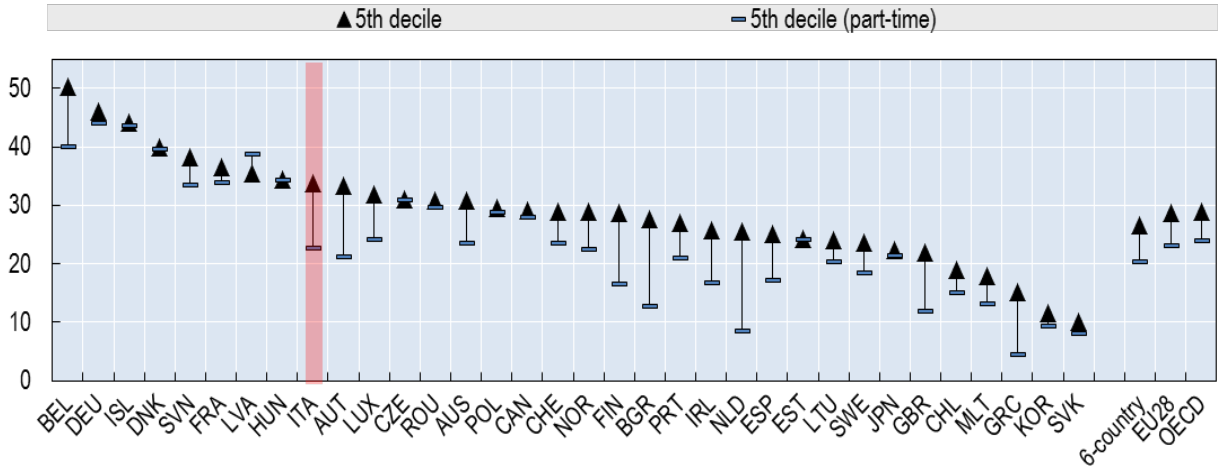


Note: Public spending accounted for here concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits and childcare support), only. Spending in other social policy areas such as health and housing support also assists families, but not exclusively, is not included. Coverage of spending on family and community services in the OECD Social Expenditure data may be limited as such services are often provided and/or co-financed by local governments. The latter may receive general block grants to finance their activities, and reporting requirements may not be sufficiently detailed for central statistical agencies to have a detailed view of the nature of local spending. Data for Poland and Greece refer to 2012. For the Netherlands, data on tax breaks for families are estimated using available information for 2011. For Switzerland, data on tax breaks for families are estimated by the national correspondent.
Source: OECD family database.

69. Income testing and other design features of cash support for families can create financial work disincentives (Colonna and Marcassa, 2015; Baldini and Pacifico, 2009). Workers in couples receive a tax credit for a dependent spouse (such as those in **Groups B** and **C**), which pushes up their tax burdens once the spouse takes up a job. Participation tax rates for representative individuals from **Groups B** and **C** are indeed likely to be comparatively high (Figure 22): More than 33% of additional earnings are "taxed away" when labour-market inactive spouses with young children take up full-time employment at median earning. Disincentives are substantially stronger once the costs of childcare are accounted for as average monthly fees for public childcare facilities vary between 20% and 50% of median female earnings (Del Boca and Vuri, 2007).

Figure 22. Financial work disincentives for second earners with young children

Participation tax rates for second earners taking up employment at median earnings, 2 children of 5 and 6 years old, 2014



Note: calculations assume that the other partner is working full-time at median earnings.
Source: OECD tax-benefit model.

70. Three new benefit measures for families with young children were introduced in 2015 and 2016:

- **Child-birth bonus** *(Premio alla nascita)*: a bonus of EUR 800 for families with a new-born child. Mothers apply for this bonus during the pregnancy period (after the seventh month) or when adopting the child. The bonus started in 2017 and consists of a lump sum benefit paid during the first months after childbirth. The budget is EUR 392 million for 2017 without allocations for the subsequent years.
- **Nursery voucher** *(Bonus nido)*: One-time, non-means tested voucher of EUR 1,000. The voucher can be claimed during the first eleven months after childbirth and can be spent in public or private nurseries during a period of three years. The measure started in 2017. The budget is EUR 144 million for 2017, 250 million for 2018, 300 million for 2019 and 330 million from 2020.
- **Baby bonus** (*bonus bebè*): An allowance of EUR 80 per month for 36 months for medium- to low- income families with young children. Only families with children who were born (or adopted) between 2015 and 2017 (included) are eligible for this allowance. Families must have an ISEE (*Indicatore della Situazione Economica Equivalente* – see Table 4) below EUR 25,000/year to be eligible, and entitlements

double if the ISEE is below EUR 7,000. The budget for this measure is EUR 202 million for 2015, 607 million for 2016 and 1.1 billion for 2017.

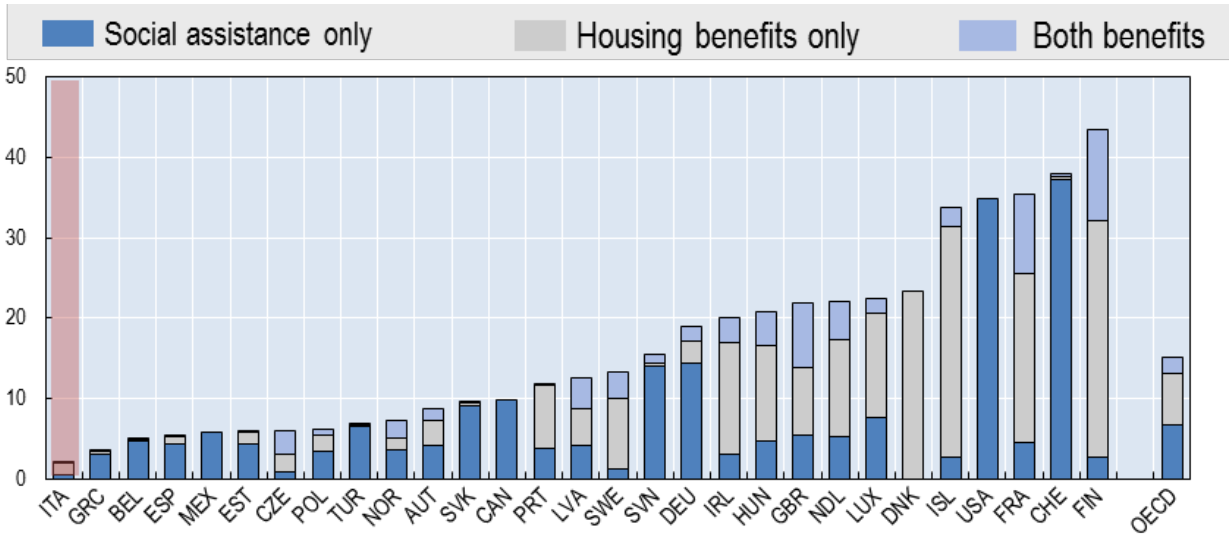
71. These support measures increase the comparatively low spending for families and extent support to some of the families who were not previously covered by family benefits (such as workless households). However, they are temporary and add to a system of cash support that is already fragmented and characterized by limited coordination between different measures. Recent national studies show that there is scope for improving targeting and redistribution of actual spending for families through a budget neutral reform that would replace the current measures with a single universal family benefit (see e.g., Bosi, 2016; Di Nicola and Palladini, 2014).

Social Assistance

72. Long-term unemployed youth in Italy, such as those in **Group A**, are very unlikely to be covered by second-tier safety nets. The share of young individuals receiving social assistance is the lowest in the EU (Figure 23), Italy operated neither a nationally applicable minimum income benefit nor a generalised unemployment assistance scheme in 2014, a large share of unemployed face high risks of poverty, youth often live with their parents, and the lack of dedicated out-of-work support for them makes effective outreach for employment support measures difficult (see Table A1 and OECD, 2016b).

Figure 23. Few young people in Italy live in households receiving social support

Share of young people in receipt of social assistance and housing benefits, by country, 2014, in percent



Source: OECD (2016a), Society at a *Glance*.

73. In 2016, Italy approved a three-year anti-poverty plan and created a dedicated national fund ("*Fondo per la lotta alla poverta*") of EUR 0.75bn (rising to 1bn in 2017 and 1.5bn in 2018), adding to the EUR 1.4bn already available in 2015. The 2016 funds financed to two new national income-support measures: the *Sostegno per l'Inclusione Attiva* (**SIA**), targeting workless households on very low incomes and young dependent children and the *Assegno di Disoccupazione* (**ASDI**), a prototype unemployment assistance scheme for older workers (+55) with low incomes who had run out of the unemployment insurance (see Table 8). By the end of 2017, Parliament aims to replace SIA and ASDI with

a new integrated social assistance scheme called *Reddito di Inclusione* (**REI**). According to a draft law, REI will cover all households with children under 18 and is to be progressively extended to families without children.[20]

Table 8. The "Active Inclusion Allowance": input and outcomes

Input	Outcomes
Programme name and objective: "*Sostegno per l'Inclusione Attiva*" (SIA). Aim: reducing poverty and social exclusion. Organisation responsible for delivery: Municipalities. Eligibility conditions: EU citizen living in Italy for at least 2 years; ISEE < €3,000; not being a SIA recipient in the last 6 months; at least one family member in one of the following conditions: under 18 years of age, disable, pregnant; availability to work (with no right to refuse a job offer); receipt of social benefits for no more than €600/year (€900 for families with disabled individuals); no new cars in the last 12 months; score of at least 45 out of 90 points with the SIA indicator of "multidimensional needs", which takes into account financial resources (points decrease linearly with income: 25-ISEE/120), number of workers (10 points for workless households), presence of disabilities (10 / 20 points for low / high disability), and family composition, which considers number of children (10, 20, 25 points for families with 2, 3 and +4 children), age of children (5 points for children below 3), number of parents (25 points for single parents). Budgetary cost: For cash support: EUR 750 million in 2016; 1 billion in 2017; 1.5 billion in 2018. For activation measures: 1 billion over 7 years. Potential participants: 1,174 thousand (based on the 2015 ISEE database)	Content of the programme: Allowance of EUR 80/month per family member (capped at EUR 400 per family) and a series of activation measures based on a personalised "activation plan". Measures can include both ALMPs (job profiling, career guidance, job-search support, training, subsidised employment, etc.) and social inclusion activities. Duration: 12 months, renewable. How programme is delivered: Families fill in a form certifying the fulfilment of the eligibility conditions and send it to the local municipality office, which forwards the request to INPS within 15 days. INPS has 10 days to verify the eligibility conditions and to communicate the results to the municipality and the Postal Service (PS). The PS informs eligible families and releases the credit card containing the benefit. INPS recharges the card every 2 months upon confirmation of the eligibility conditions. Within 60 days from the 1st payment, a team of experts prepares the "activation plan" in cooperation with the family. The team can be "simple" (one social worker from the municipality and a caseworker from the PES) or "complex" (including also other independent experts) depending on the results of a pre-assessment meeting with the family. The activation plan is based on the "final assessment", which is based on pre-defined modules and guidelines provided directly by the MLSP. The family loses eligibility if it does not subscribe the plan after 60 days. Funding: National funds for the cash benefit; EU-ESF plus national funds for the activation measures; regional funds if regions wants to increase coverage or amounts. Monitoring: MLPS (for the pilot phase), INPS and INAPP (ex ISFOL); Latest assessments: 2016, results not yet available.

Source: Ministry of Labour and Social Polices.

74. Both ASDI and SIA (and the forthcoming REI) combine cash support with activation measures, including active job search, attending training courses, or taking steps to facilitate children's health and educational outcomes. Although SIA and ASDI represent key steps towards the institution of a comprehensive safety net in Italy, they face a number challenges:

- Resources remain limited, much less than estimates of the amounts (around EUR 7 billion annually) that would be needed for a national minimum income scheme targeting all individuals with high risks of poverty (Pacifico, 2014). Limited resources entail strict eligibility criteria (see Table 8) and thus limited coverage.

20. It is not clear yet if the REI will remain an allowance for workless households (like the SIA) or become a (more expensive) top-up benefit for families with zero or low incomes. The latter would have a stronger redistributive effect but would cost more.

Official figures show that SIA would cover about 1.1 million individuals out of the 4.6 million individuals who are at risk of poverty. The majority of individuals of Groups **A** and **C** who face high poverty risks would not be eligible for this programme, either because their financial resources are above the means test threshold, or because their SIA "multidimensional needs" score is below the eligibility threshold of 45 points (see Table 8 in combination with Table A1). Also, benefit amounts are low both in a comparative perspective and relative to national living standards: Under current legal provisions, the benefit for a 3-member family would be EUR 240 per month, whereas ISTAT calculates the poverty line for a 3-member family as EUR 1,200 to 1,400, depending on the child's age.

- Municipalities and PES caseworkers may not be qualified for dealing with SIA clients whose employment barriers and circumstances may be very different from unemployment-benefit recipients. For instance, they are more likely to face multiple and complex social problems or employment barriers. The lack of a unified database of social benefit recipients currently hampers effective monitoring, assessment and coordination of services provided by the Ministry of Labour and Social Policies. Coordination and common service standards are likely to remain a challenge as the constitution assigns exclusive competence for social assistance policies to local authorities, reducing the role of the central government in defining benefit levels and monitoring activities (Madama, 2013).

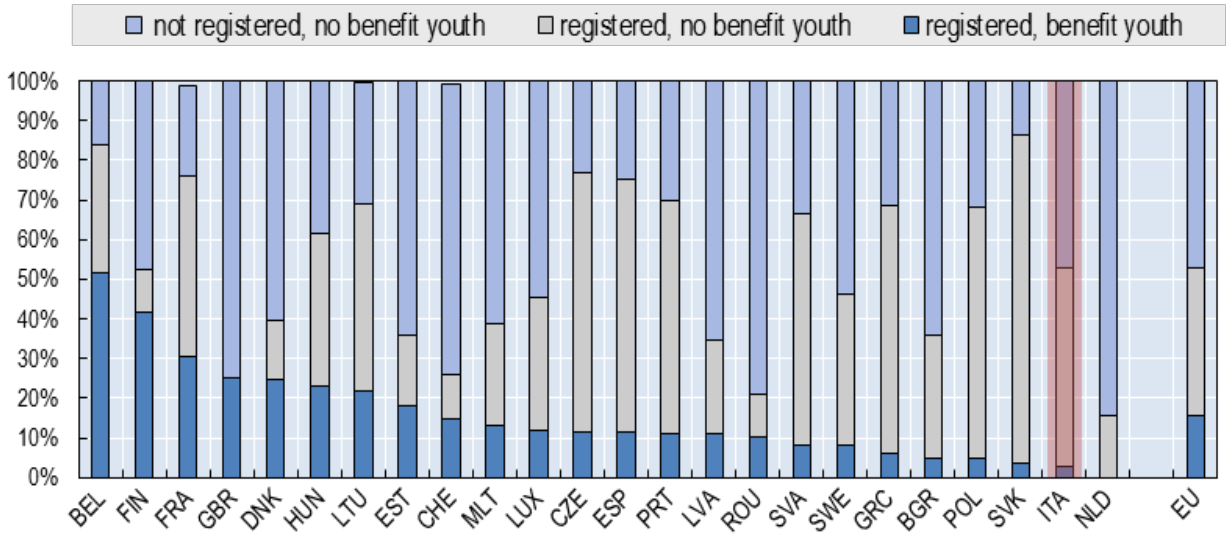
4.2.2. Active Labour Market Policies

Public employment services

75. Only a comparatively small share of unemployed youth are both registered with the PES and receive unemployment benefits (3% against an average for the EU of 16%, see Figure 24). The share of those who are registered with the PES but do not receive benefits is comparatively high, however (50% against an average of 37% for the EU). The latter group is likely to include many individuals of **Group A** who have run out of insurance benefits but remain registered with the PES.

Figure 24. Unemployed youth, by benefit receipt and registration with PES

Share of young unemployed (20-30 years of age), 2014, in percent



Note: Results refers to the moment of the interview.
Source: Calculations based on EU-LFS.

76. Youth close to the age range of **Group A** (ages 16-24) represented 13% of all registered jobseekers at the end of 2014 (Table 9). Of those, the majority (62%) had been registered with the PES for more than 12 months, with peaks of almost 70% in southern regions. However, only a small share of youth who started a new job in the last 12 months say they found it with the help of the PES (1.5%, Figure 25). This confirms that also for the youth unemployed the PES is not used widely as a main resource for job seeking. As discussed in Section 3.2, a number of reasons help explain this, including capacity constraints in several PES territorial offices and limited work-related skills among some groups of PES caseworker-staff, both elements that may compound bottlenecks in terms of service implementation and quality.

Table 9. Number of registered jobseekers: focus on youth

2014

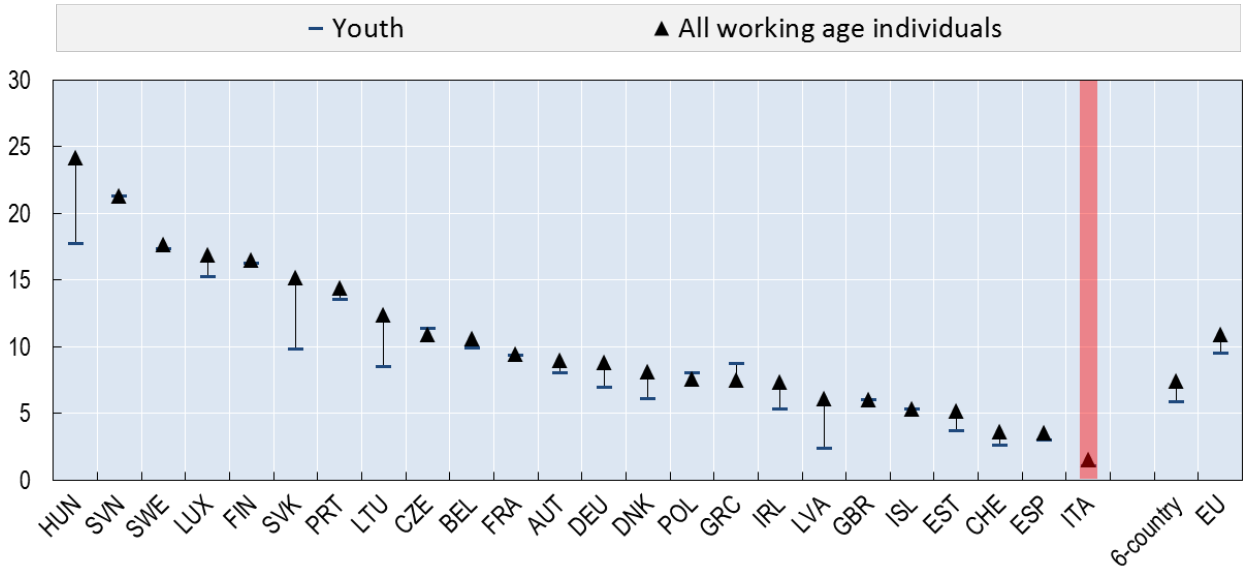
	Registered unemployed (in thousands)	Of which (%)	
		Youth (16-24)	Long-term unemployed youth
North-East	1661	12	51
North-West	1189	10	51
Central	1812	11	59
South and Islands	5030	15	68
Italy	**9692**	**13**	**62**

Source: ISFOL (2015).

Figure 25. How important is the public employment service (PES) as a "job broker" for youth?

Involvement of the PES in finding current job, 2014

In % of youth aged 18-34 with low work experience who started a job during the previous 12 months



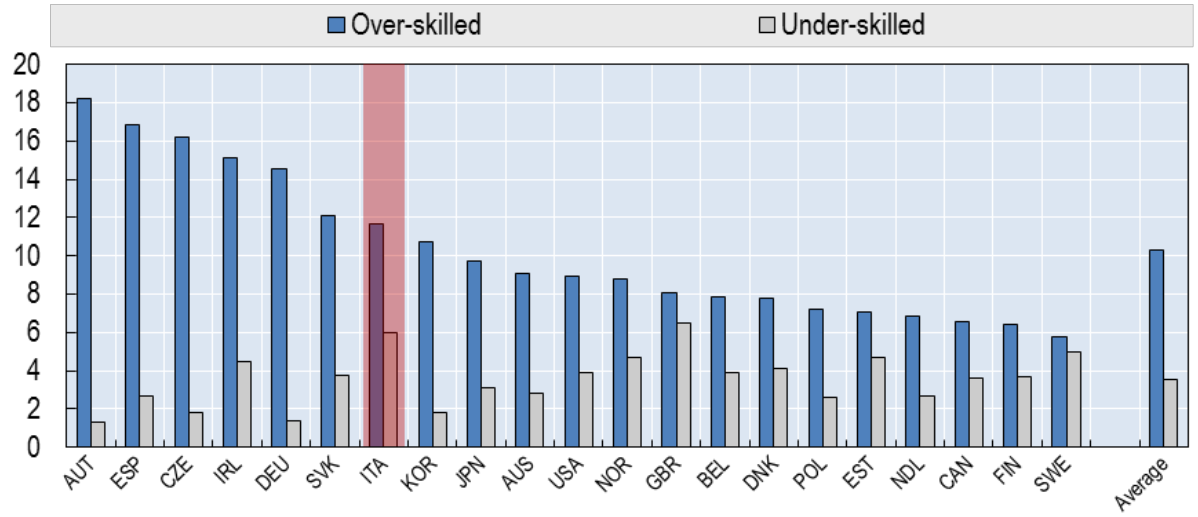
Note: Countries with a high incidence of non-response (more than 30%) and countries with less than 100 observations are dropped.
Source: Calculations based on LFS 2014.

Active labour market programmes

78. Although skills mismatches are comparatively sizeable and widespread in Italy (Figure 26), only a minor fraction of the working-age population (7%) was engaged in training activities in 2014, much less than the EU average (12%, Figure 27). When focusing on individuals with characteristics similar to **Groups A**, **B** and **C,** the gaps with the corresponding EU averages are even bigger (8% against 16% for youth, 3% against 7% for inactive mothers).

Figure 26. A high incidence of skills mismatch

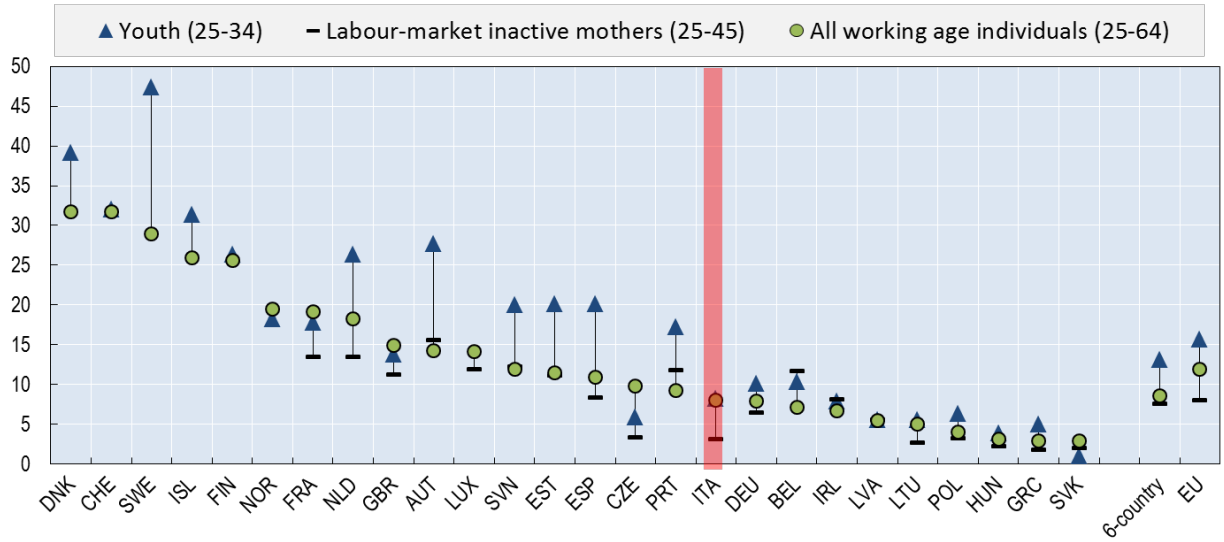
Percentage of over and under-skilled employees



Note: Over-skilled workers are those whose proficiency score in literacy is higher than that corresponding to the 95th percentile of self-reported well-matched workers – i.e. workers who neither feel they have the skills to perform a more demanding job nor feel the need of further training in order to be able to perform their current jobs satisfactorily – in their country and occupation. Under-skilled workers are those whose proficiency score is lower than that corresponding to the 5th percentile of self-reported well-matched workers in their country and occupation.
Source: OECD (2013).

Figure 27. Participation in lifelong learning activities

In %, 2014



Note: "unemployed youth" refers to unemployed individuals aged 25-34 with "low" work experience. "Labour-market inactive mothers" refers to economically inactive women aged 25-45 with no or low work experience and at least one child who is less than 12 years old.
Source: calculation based on the EU Labour Force Survey, 2014.

79. Different factors help explain the low participation in lifelong learning activities. Spending on training programmes is comparatively low (under 0.13% of GDP against the EU average of 0.2%) and has been decreasing steadily since 2009 (see Figure 12). Also, educational achievements are comparatively low in Italy (see Figure 37) and international evidence suggests that the demand for adult learning tends to be positively correlated with the skills levels (OECD 2010). Moreover, work-based learning requires work tasks to be reorganised so as to meet both production and learning goals, and this can be challenging in economies like Italy where 95% of enterprises have less than 10 employees.[21] Also, the offer of training courses in Italy is not tightly defined on the basis of local labour market developments, generating a mismatch between supply and demand of training courses (ISFOL, 2015d). Finally, the system of professional education and training is fragmented into different subsectors, reflecting a complex division of responsibilities between institutional levels, the relative autonomy of post-secondary institutions, and the roles played by private-sector providers, employers and trade union organisations in delivering training provision; this can create confusion for jobseekers and employees in the face of multiple pathways, while employers find engagement in multiple contexts too burdensome (OECD 2014).

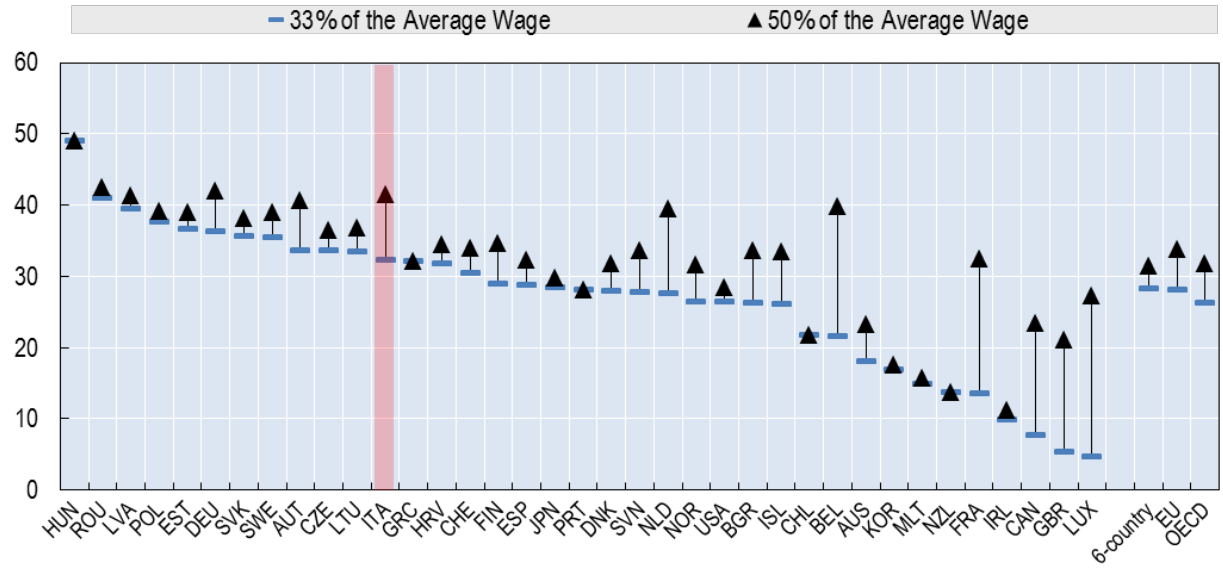
80. Employment incentives (subsidised employment measures) are the second biggest category of ALMP spending in Italy. In part, these measures can be seen as a strategy for offsetting the comparatively high tax burden on labour, which pushes up the cost of labour especially for individuals with low skill levels or otherwise reduced wage-earning potential (Figure 28). High labour taxation is notably the result of high employer social security contributions (Figure 29) and income-tax burdens, accounting for some 85% of the total tax wedge (51% employer social security contributions and 34% of income tax) for a single person at the average wage (OECD 2016a).[22]

21 . Small and micro enterprises may pursue little employee training also because their employees who gain better skills have in general fewer opportunities to obtain promotion within the company than in large firms, and may therefore be inclined to leave for a better job elsewhere.

22. Italy introduced in 2014 a fiscal bonus to reduce the tax burden of low-income earners. The measure takes the form of an 80-EURO bonus per month for taxable incomes between EUR 8,145 and EUR 24,000 per year. The bonus is phased out linearly between EUR 24,001 and EUR 26,000. About 11.2 million employees received the bonus in 2015 for a total cost of EUR 9 billion. About 1.7 million employees had to pay back the bonus (or part of it) at the end of 2015, as their final 2015 fiscal income was above (or below) the income thresholds above.

Figure 28. Tax wedge on labour

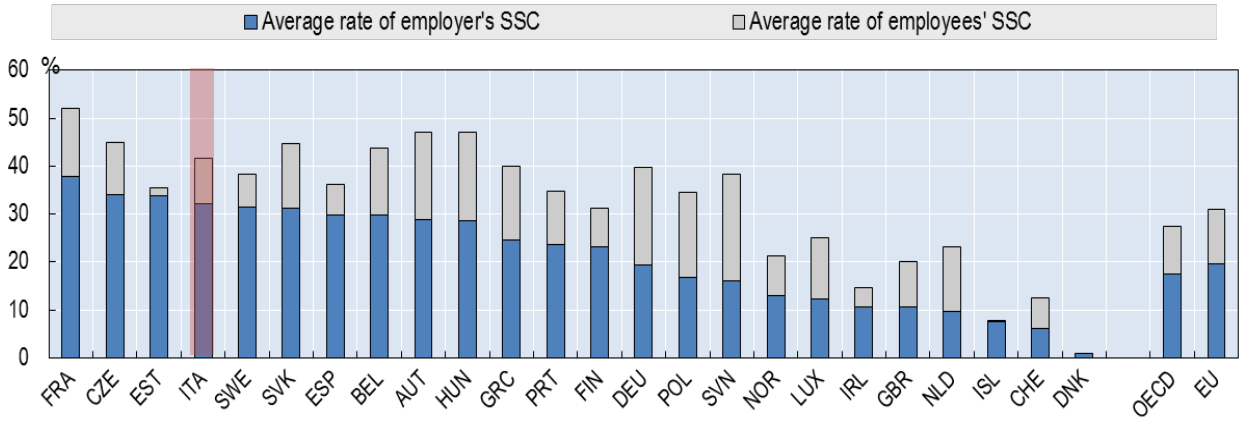
In % of labour cost, single person without children at 33% and 50% of average earnings, 2014



Source: OECD tax-benefit model.

Figure 29. Employer social security contributions are high

2015



Note: Calculations for a single person without children at the average wage.
Source: OECD (2016a).

81. Employment subsidies take various forms in Italy. Two of them are particularly relevant for women in **Groups B** and **C**. The first measure consists of a 50% rebate of the employer social security contributions for a period of 18 months when upon hiring women who have been out of work for more than 24 months (six months if the firm operates in disadvantaged areas). The full subsidy can be claimed for new open-ended contracts or for conversions of short-term contracts into open-ended ones. Short-term contracts are also subsidised but only for a shorter duration of 12 months. A second measure focuses on younger adults (up to 35 years) with dependent children and takes the form of a hiring

bonus of EUR 5,000 for each new employee (with a maximum of five employees per firm). Neither of the two hiring subsidies includes provisions, such as conditioning on a net increase in staff levels, to prevent displacement or "revolving door" effects.

82. Youth, such as those in **Group A**, are also likely to benefit from the following measures:

- A **youth bonus**, an employment subsidy granted for hiring young (15-24) NEETs in the southern regions. The bonus consists of a contribution of up to EUR 8,060/year for each new open-ended (or apprenticeship) contract. Fixed-term contracts are also subsidised but the incentive is, again, reduced (EUR 4,030/year). The bonus is managed by ANPAL (see Box 2) with a budget of EUR 500 million for regions Basilicata, Calabria, Campania, Puglia and Sicilia, and EUR 30 million for Sardegna, Abruzzo and Molise.
- A programme targeted to jobseekers who have received unemployment insurance for at least four months. It consists of the **re-integration voucher** discussed in Section 3 above (Section 3.2, Table 6). This measure will be rolled out to the entire country by the end of 2017.
- The **Youth Guarantee** (YG) programme (Table 10), providing youth (15-29) who are not employed, in education or training (NEETs) with personalised active labour market support within four months of PES registration. The Italian YG consists in specific activation measures including internships and training courses, as detailed in Table 9. Firms hiring YG participants can claim also a hiring subsidy ranging from EUR 1,500 (high employability profile and fixed term contract of at least six months) to EUR 6,000 (low employability profile and open ended contract). Despite recent improvements, the YG faces challenges in terms of coverage, implementation and labour market outcomes. According to the latest ANPAL internal report, the programme "pseudo" coverage rate calculated at the end of December 2016 (the latest available data point) and defined as the number of eligible youth who were registered in the programme divided by the number of NEETs, was about 60% (49% in 2015).[23] 47.3% of those who signed the activation plan with the PES office in November 2016 received active labour market support within four months of PES registration (20% in November 2014 and 40% in November 2015), whereas just 42.6% of those who completed at least one activation measure by the end of December 2016 were employed three months later (39.7% in December 2015).

1. The number of potential participants is calculated from the LFS survey for 2013 (i.e. the year before the implementation of the YG) and corresponds to about 1.291 million NEETs. About 1.241 million individuals signed up in the YG web portal by the end of December 2016 (the latest available data point). Of those, 1.058 million were eligible; 803,469 made it through the first meeting with the PES and registered in the programme; 782,073 signed the activation plan with the PES and effectively entered the programme. Data for 2015 and 2014 are from ISFOL (2016b).

Table 10. Employment activation support measures for NEETs: inputs and outcomes

Input	Outcomes
Programme name and objective: "Youth Guarantee". Aim: Integration of NEETs into the labour market. Organisation responsible for delivery: National Agency for Active Labour Market Policies (ANPAL) and Regions. Other institutions involved: PES and accredited providers, National Department of Youth, National Civil Service, Ministry of Education and Research (MIUR) and INPS. Target group: youth 16-29 who are "*not employed in educational or training*" Selection of participants: Online application through the Youth Guarantee web portal. Budgetary cost: EUR 1.5 billion (2014-2018). Participants: Of the 1,241,000 NEETs registered in the web portal (Dec 2016) 63% have effectively entered the programme.	Content of the programme: 8 activation measures: job coaching, hiring subsidy, apprenticeship (3 types), extra-curricular traineeship, civil service (2 types), support to self- entrepreneurship (2 types), professional mobility, Education (2 types). Duration: Job coaching: depends on the activity; Apprenticeship: up to 3 years; Extra-curricular traineeship: 6 months; Civil service: 12 months; support to self-entrepreneurship: up to 200 hours for training activities and 12 months for the supporting activities related to the access to the credit facility; mobility: 6 months; Education: from 50h to 200h. How programme is delivered: the PES contacts the NEET within 60 days from the registration in the YG web portal and proceeds with the programme registration phase, which consists in profiling the NEET[0] and devising the activation plan. Within 4 months the NEET starts with the activation measures included in the activation plan. Funding: EUR 567.5 million from the National Operational Programme "Youth Employment Initiative" Fund (NOP YEI); EUR 567.5 million from European Social Fund; EUR 378 million from national co-financing contributions. Performance assessment: done every year and managed by the National Institute for the Analysis of Public Policies (INAPP) and ANPAL. Programme success measures: NEET coverage rate; % of those who have concluded the programme and % of those who fund job within 1, 3 and 6 months from the end of the activation measure.

1. The profiling system is based on a statistical model that summarises into a single value ranging between zero and one the difficulty for the NEET to find employment within twelve months. The model is based on a set of observable characteristics such as age, level of education, type of qualifications and the variation of the regional unemployment rate.
Source: Country responses to OECD policy questionnaires.

83. A number of regions have devised similar regional labour market programmes targeting youth such as those in Groups A. These programmes often provides modified extensions of the national YG programme to somewhat older age groups (possibly including some in Groups B and C) and are launched under the umbrella label "Guarantee over". Regions providing these programmes are Abruzzo, Campania, Liguria, Molise, Umbria and Veneto.

84. The **Lazio** region has devised a programme targeted to women in **Groups B** and **C** that resembles the re-integration voucher outlined in section 3.2. The measure, entitled **re-integration contract**, is targeted to non-employed women aged 30 or older with at least one child under six (Table 11). The programme consists of a voucher that can be spent to buy childcare services and specialised job-search services from a public or accredited private provider. The provider is reimbursed at the end of the programme (six months) and the remuneration depends on the actual hours that participants spent in the job-search activities defined in their personalised activation contract.

Table 11. Employment activation support for women in the Lazio Region: inputs and outcomes

Input	Outcomes
Programme name (in national language) and objective: "*Contratto di Ricollocazione*". Aim: re-integration of women with young children into the labour market. Organisation responsible for delivery: Lazio Region. Target groups: Unemployed women of 30+ years living in the Lazio Region with at least one child under six years. Selection of participants: Women apply to an online public notice. PES verifies eligibility and selects participants on a first-come-first-served basis. The PES prepares the personalised activation agreement in coordination with the participants. Only once participants sign off the agreement they are officially enrolled in. Budgetary cost: €3.4 million in 2015. Flows: Number of participants in 2015: 500. Available places in 2016: 2,000.	Content of the programme: Specialised employment services and a voucher to purchase childcare services. Duration: 6 months. How programme is delivered: employment services delivered by an accredited provider. Services may include training courses or traineeships (up to 6 months). Participants receive a voucher of EUR 400/month to reimburse the job-search provider and repay childcare costs. The reimbursement is based on standard hourly costs. The job-search provider is paid on the basis of the employment outcome. Monitoring process: Lazio Region monitors and evaluates short and medium –terms employment outcomes.

Source: Country responses to OECD policy questionnaires.

4.2.3. Other targeted measures

85. Other targeted measures relevant for improving employment prospects of **Groups A**, **B** and **C** can be grouped under five policy headings: *(i)* reducing labour market duality; *(ii)* making childcare more accessible; *(iii)* facilitating family-work balance, especially for second earners; *(iv)* ensuring better career prospects for women; and *(v)* improving school-to-work transitions.

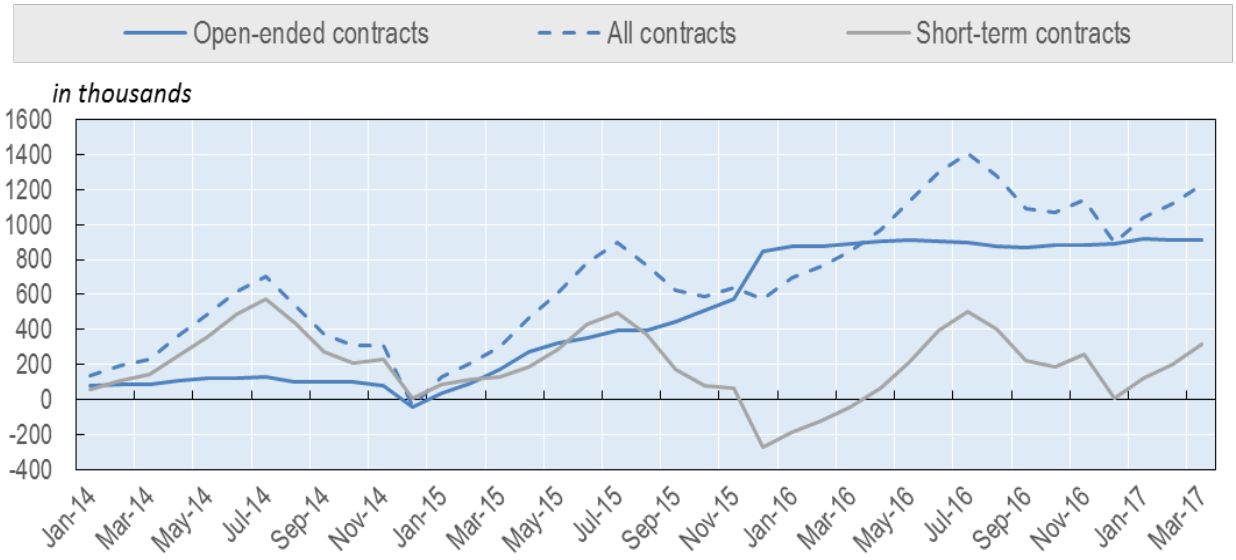
Reducing labour market duality

86. Italy introduced in 2015 a new **open-ended contract** with employment protection increasing with tenure ("*contratto a tutele crescenti*"). The new contract is characterised by a lower employment protection for entry workers and a higher legal certainty in case of disputes.[24] The introduction of the new open-ended contract was accompanied by a 3-year **social security contribution exemption** up to EUR 8,060 per year for employers hiring with the new contract. The combination of the two measures, have had a positive effect in reducing labour market duality: data released by INPS show that since 2015 open-ended contracts have grown much more than short-term contracts (Figure 30). Sestito and Viviano (2016) show however that the observed shift towards open-ended hires was mostly attributable to the social security contribution exemptions rather than the new rules on individual dismissals. Also, the social security contribution exemption is a temporary

24. The new provisions reduce scope for reinstatement following unfair dismissals and expand the cases where the sanction leads only to a monetary compensation increasing with tenure (two monthly wages per year, with minimum and maximum amounts corresponding to 4 and 24 monthly wages). The new provisions seek also to reduce court cases by facilitating the settlement of dismissal disputes through conciliation and fiscal incentives. The conciliation procedure consists in an indemnity of one monthly wage per year of service (with minimum and maximum amounts corresponding to 2 and 18 monthly wages, respectively). The indemnity is exempted from income tax and social security contributions.

measure for the years 2015-2017 and as of 2016 this exemption has been reduced to EUR 3,250 and granted for only two years instead of three. Preliminary data from INPS for the first quarter of 2017 show a stall in the growth of open-ended contracts and a positive growth of short-term contracts compared to the same period of 2016 (Figure 30).

Figure 30. Net cumulated change of employment contracts since 2014



Note: Seasonally unadjusted data. Short-term contracts include seasonal and apprenticeship contracts. Net changes in open-ended contracts are calculated as the change in the number of new open-ended contracts, plus the change of transformations of short-term contracts into open-ended contracts, minus the change in the terminations of open-ended contracts.
Source: INPS.

Making childcare more accessible

87. Low female labour force participation often depends on unmet caring responsibilities for children and older family members, a key aspect for individuals in **Groups B** and **C**. In Italy, fewer children below three years of age are enrolled in formal childcare compared to the EU average (24% against 31% – see Figure 31). Also, public nurseries are organised at municipal level, entailing a high variety of organisational models across the country.[25] Provision of formal public child care is particularly low in southern regions where the number of places available and hours of care offered are often rationed (Del Boca and Vuri 2007). The cost of public child care is also high and show significant variation between and within regions, as municipalities can set autonomously the structure of childcare subsidies and the number of available slots. Available estimates place child care expenses between 30% and 50% of the average earnings of employed mothers (Del Boca 2005).[26]

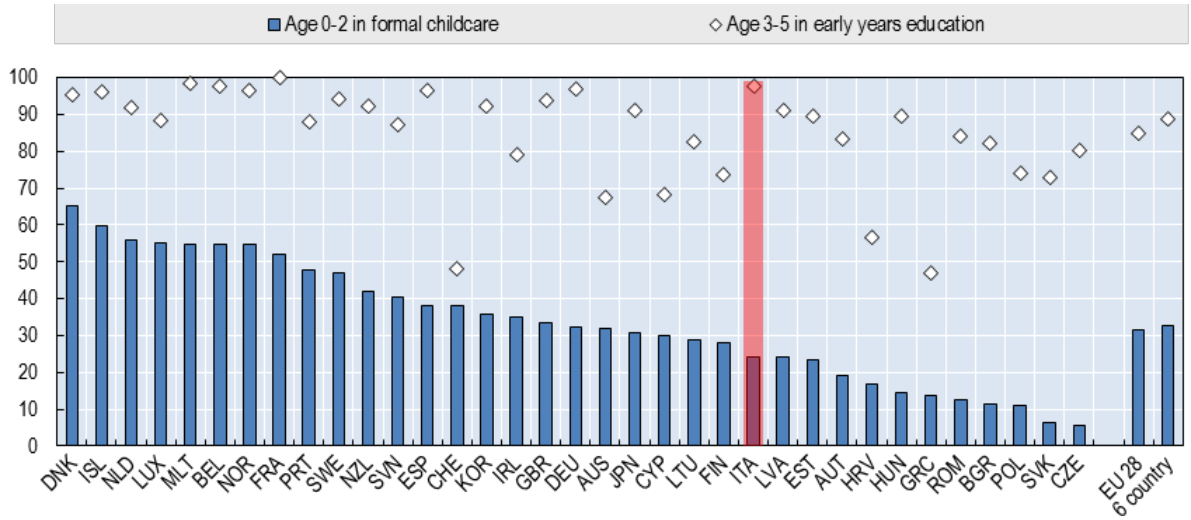
25. Nurseries admit children aged from 3 to 36 months in most regions. To gain access to public child care facilities, families submit a request to the municipality. Municipal authorities regulate admissions through priority lists when the available slots are fewer than the requests.

26. The average monthly fee for public full-time child care facilities is about EUR 300 per month. See http://www.cittadinanzattiva.it/aree-di-interesse/consumatori/4292-nursery-in-italy.html.

88. The "***Good school***" reform package ("*la Buona Scuola*") approved in 2015 contains provisions regarding the reorganisation of the pre-school education system.[27] The reform unifies playschools (for children of 0-24 months), nursery schools (24-36 months) and kindergartens (36-60 months) into a unique education cycle, thus making playschools and nursery schools de facto part of the Italian public education system. As a result, also playschools and nursery schools will have to meet the national minimum standards set by the Ministry of Education for the public education system (e.g. in terms of coverage, maximum number of pupils per class, etc.). The reform is funded with EUR 670 million. Funds are allocated directly to the municipalities without intermediations of regional authorities and are inversely proportional to the number of pre-primary facilities across the Italian territory. With this strategy, Italy seeks to increase by 2020 the slots in playschools and nursery schools from 17% to 33% of children under three years of age (i.e. the Barcelona childcare target, see European Council 2002).[28] According to Figari and Narazani (2017), increasing child care coverage in Italy would be more effective in enhancing female labour market participation incentives than reducing child care costs at the same budgetary costs.

Figure 31. Participation rates for in formal childcare and pre-school services

Children of 0-to-2-year-olds and 3-to-5 years old, 2014



Note: Data refer to children enrolled in day care institutions and local authority family day care for Denmark, Finland, Iceland and Sweden. Data for Denmark, Finland, and Iceland also include children using publicly-subsidised private and non-profit childcare. For Germany, data include children using registered centre-based services and registered family day care services only.

27. The "Good school" is a comprehensive reform of the Italian education system. The reform gives more autonomy to school deans, introduces performance-based remuneration components for teachers and compulsory on-the-job retraining courses for those teachers who score low during the annual performance assessments. The reform includes also a 3-year "digital school plan" to modernise the digital infrastructures of Italian schools and measures for strengthening the school-to-work transitions.

28. The reform seeks to improve also the quality of the pre-school system. As of 2017, educators can work in a playschool only if they have achieved a graduate degree (bachelor or equivalent) while teaching in nursery schools and kindergartens requires a postgraduate qualification.

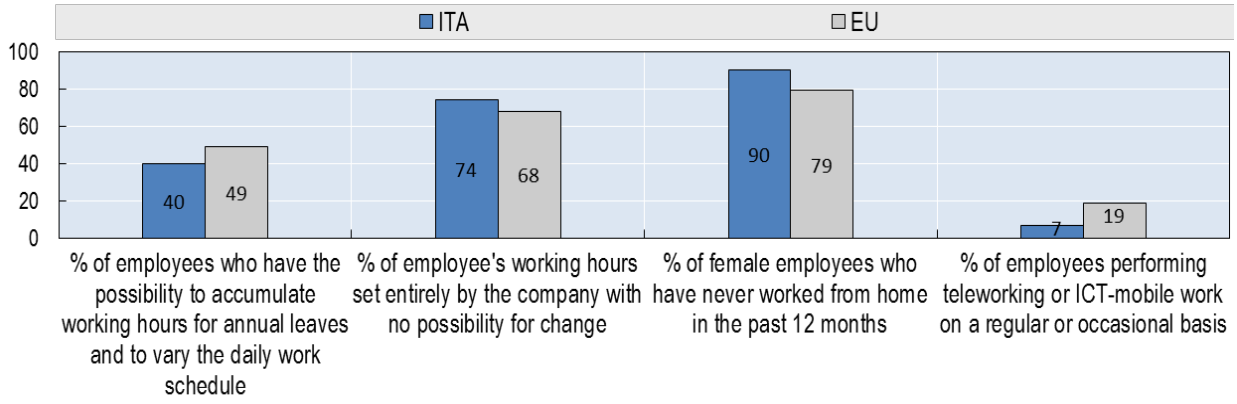
Source: OECD family database.

Facilitating the family-work balance, especially for second earners

89. Another reason why women of **Group B** have become economically inactive is related to the difficulties to reconcile work and care responsibilities. Flexible working arrangements are not common in Italy (Figure 32). The proportion of companies providing employees with the possibility to accumulate hours for annual leaves and to vary the daily working schedule is lower than the EU average (40% against 49%), as well as the share of employees who report having their working hours set entirely by the company (74% against 68%), and the share of employees who never work from home (90% against of 79%). Italy has also the lowest share of employees (7%) in the EU countries who telework from home on a regular basis or make high or occasional use of ICT-mobile work (Eurofound-ILO, 2017). As a result, the demand for more flexible working arrangements is high among Italian employees, especially when they live in families with children. According to the Isfol-Plus survey, 58% of employed women living in couples with young children say that working part-time or with a more flexible hour schedule would be the key elements for improving their family-work balance, whereas only 25% refer to the accessibility of childcare (in terms of distance, costs and availability, see Figure 33).

Figure 32. Flexible working arrangements are not common in Italy

2015



Source: own calculations based on the European Working Condition Survey (2015).

90. Italy has introduced recently a number of measures for improving the conciliation of work and family life. As of 2015, the possibility to claim paid parental leaves has been extended from three to six years of child's age (eight for families with low incomes, see Table 4).[29] Also, parents have now the possibility to take parental leaves on an hourly basis in the measure of 50% of the contractual working time. Alternatively, parents can convert their contract from full-time to part-time during the period of paid parental leave, which gives them the possibility to set, in cooperation with the employer, a new working schedule that does not have to be necessarily 50% of the full-time contractual time (though the new part-time arrangement cannot be less than 50% of the full-time working schedule). Finally,

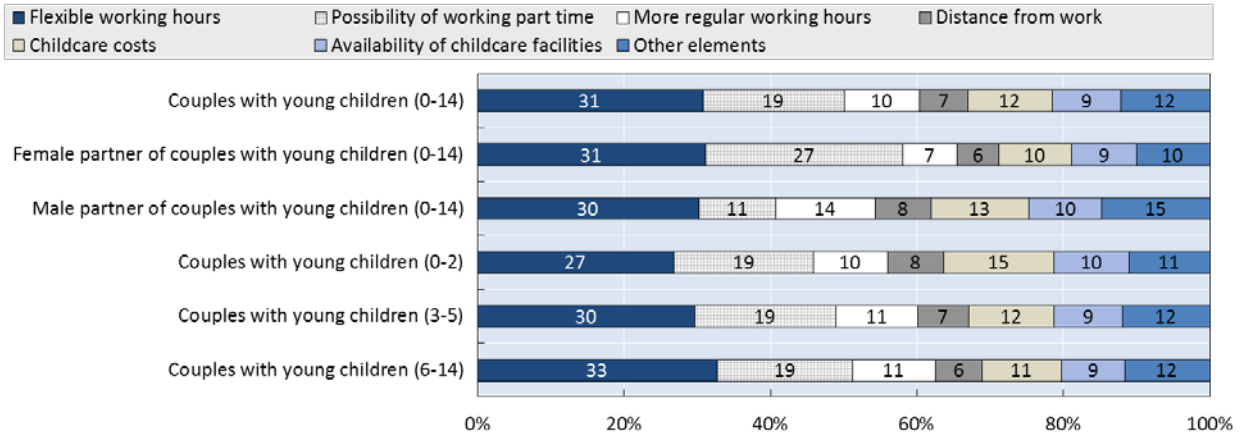
29. The possibility to claim unpaid parental has been also extended from eight to twelve years of child's age.

parents have also the possibility to convert the paid parental leave (or part of it) into a childcare voucher of EUR 600 per month.

Figure 33. Elements facilitating the family-work balance

Survey questionnaire, 2014

Families of employees with young children, by age of children and gender of the two partners.



Source: ISFOL (2016a), calculation based on the ISFOL-PLUS survey.

91. In 2017 Italy approved a law regulating the so-called *smart-working*, i.e. the possibility to perform work tasks at the firm's premises as well as somewhere else without a fixed workstation and scheduled working hours. According to the new legal framework, smart-workers have the same rights as their colleagues who perform similar duties at the employer's premises, including insurance coverage for injuries at work, tax reliefs for productivity/efficiency increases and functioning of the technological equipment. The new law sets also the maximum teleworking time, introduces the right to disconnect from the workstation to repose and sets the minimum notice period to terminate any permanent smart-work arrangement (30 days, 90 in case of employees with disabilities). A written agreement between the smart-worker and the firm specifies work breaks (duration and frequency) and the assessments of the work performance (e.g. by objectives) in compliance with labour and data protection restrictions on remote monitoring.[30]

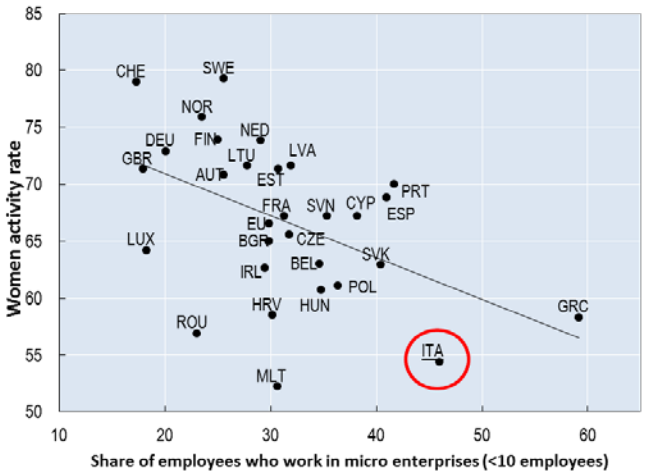
92. The possibility to count on an extended range of flexible reconciliation measures may not necessarily result in a higher presence of women in the workplace. More than 95% of private enterprises in Italy have less than ten employees (Eurostat 2014, annual enterprise statistics), meaning that employers can face capacity and organisational constraints during the maternity period of their employees. Figure 34 shows a negative relationship between the share of employees working in micro enterprises (i.e. with less than 10 employees) and women activity rates in EU countries. Italy is characterized by a comparatively large share of employees working in micro enterprises and a very low female activity rate compared to other peer countries with a similar share of employees working

30 . The new law introduced protections and welfare measures also for free-lance independent contractors. Free-lancers can now claim unpaid leave up to 150 days per year for maternity, sickness and injuries; they also have the choice of working while receiving the maternity benefits (or to agree on a replacement worker identified by the free-lancer who is in maternity leave) and the right to require a written agreement regulating their services.

in micro enterprises (e.g. Portugal and Spain). This suggests scope for increasing women activity rates in spite of the potential capacity and organisational constraints faced by small and micro enterprises.

Figure 34. Firm size and women activity rates

2014



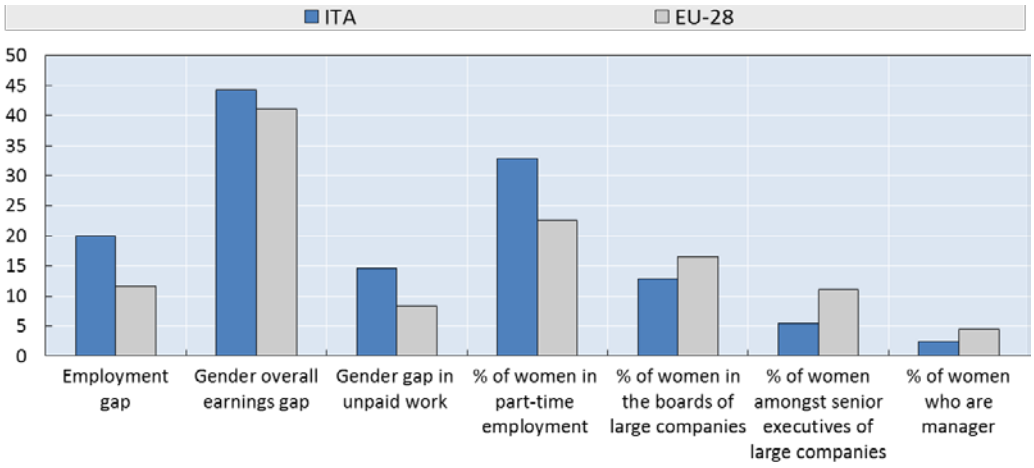
Source: Eurostat annual enterprise statistics and employment database.

Fostering better career prospects to women

93. International evidence suggests that women in Italy have fewer possibilities than men to progress in the labour market (Figure 35). Gender inequalities are comparatively high and the limited career prospects can further weaken the incentives to enter (e.g. for women of **Group C**) or re-enter (**Group B**) the labour market. The gender employment gap is the highest in the EU (20% against the EU average of 12%) and women employment is characterised often by a relatively high incidence of part-time (33% against the EU average of 23%). The gender overall earnings gap is also high and the share of women with different types of managerial responsibilities is comparatively low.

Figure 35. Women have limited career prospects in Italy

2014 or the latest year available

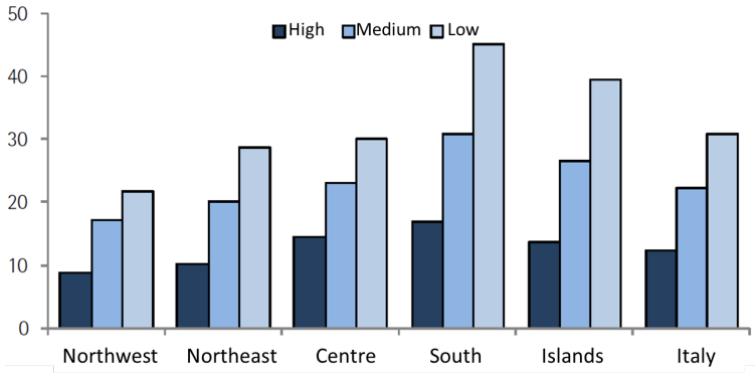


Note: See http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_statistics for the calculation of the Gender overall earnings gap indicator. The Gender gap in unpaid work is the difference between the share of total day time spent for unpaid work of women and men. Most of the data refer to 2014 or the latest year available.
Source: OECD Gender Data Portal, Eurostat and European Commission database "women and men in decision-making".

94. According to the Isfol-Plus survey, 53% of working mothers in Italy say they are worried about their career prospects, against 24.3% of working fathers. The same survey shows also that nearly 25% of working mothers in Italy are out of the labour market within two years of a pregnancy, with picks of almost 50% among women with low education living in the southern regions (Figure 36). This phenomenon may concern many women of **Group B**, where 48% of formerly working mothers are from the southern regions and 33% have low education (see Table A1). In southern regions women are also more likely to exit the labour market after the first pregnancy, whereas in northern regions the probability for pregnant working mothers to be out of work two years later increases with the number of children, a sign of the cultural differences between southern and northern regions regarding the role of motherhood in the society (ISFOL 2016a, Keck and Saraceno, 2013).

Figure 36. Share of economically inactive mothers who were working during the pregnancy period

% of all working mothers, by education level and geographical area, 2014



Source: ISFOL (2016a), calculation based on the ISFOL-PLUS survey.

95. More than half (52.5%) of the economically inactive mothers who were working during the pregnancy period say they have voluntarily resigned from the job, 24% have been displaced and 19.9% say their contract was not renewed (Table 12). However, part of those who say they have voluntary resigned from their job may have done it against their own will. In Italy, women are often asked to sign a **blank resignation letter** the same day they sign up an employment contract. Tentative estimates from the main Italian trade union (CGIL) in 2012 show that this illegal practice concerns about 15 per cent of all open-ended contracts. Italy has recently taken action against this practice. As of March 2016, resignations have legal validity only when submitted though the web portal of the Ministry of Labour and Social Policies (MLSP). Employers receive the communication directly from the MLSP and they can visualise (but not modify) the resignation letter through a web link.

Table 12. Former working mothers: main reason for interrupting their previous job

% of pregnant working women who are out of work two years later, 2014

	Resigned	Dismissed	End of contract	Other reasons	Total
Northwest	50.7	27.2	18.2	3.8	100
Northeast	51.3	21.3	22.9	4.4	100
Centre	52.7	25.9	17.7	3.8	100
South	54.0	21.5	21.6	2.9	100
Islands	54.5	24.7	17.6	3.1	100
Italy	52.5	24.0	19.9	3.6	100

Note: the category "Other reasons" includes mainly workers receiving the so-called mobility allowance ("*mobilitá*"), see Table 4 for details.
Source: ISFOL (2016a), calculation based on the ISFOL-PLUS survey

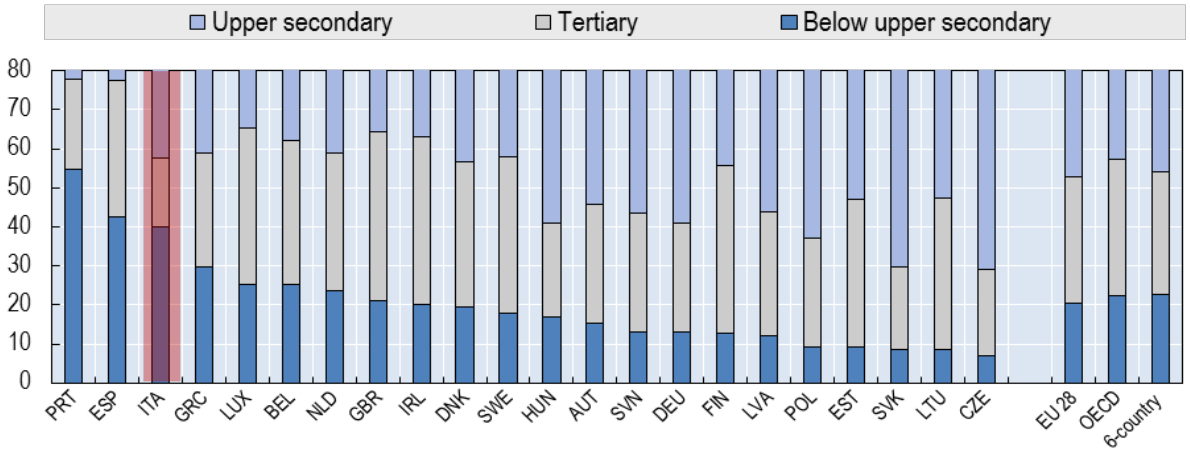
Improving the school-to-work transition

96. Many individuals from **Groups A** and **C** have not achieved an upper secondary degree: 32% (46%) of **Group A** (**Group C**) have a lower secondary degree and 5% (9%)

completed only the primary school. In comparison with other European countries, the average skills of Italian citizens are low (Figure 37): nearly 40% of the working age population have no more than a lower secondary degree and only 17% have a tertiary degree, the lowest rate in the EU. Youth who dropped out from the upper secondary school have a high probability of becoming NEETs (OECD 2016b). This situation characterises the majority of individuals of **Group A**, where about 60% are 18-29 youth who are not in education or employment. The NEET rate among 25-29 youth in Italy is the second highest in the EU, and although the large majority are low and medium-skilled, NEETs with high education are more than double the EU average (Figure 38).

Figure 37. Educational attainments are low

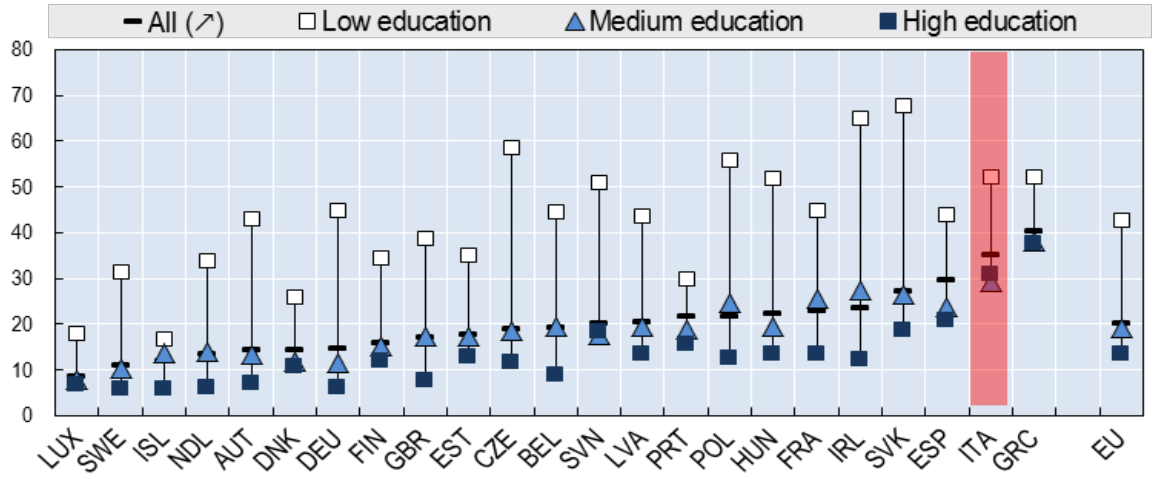
Adult education level, % of 25-64 year-old, 2015



Source: OECD (2016c).

Figure 38. NEET rates by level of education

25 to 29 year-olds, 2014



Note: "Low-education" denotes lower-secondary school or less (levels 0-2 in the International Standard Classification of Education).
Source: own calculations based on EU-LFS data.

97. High labour costs, excessive employment protection and limited flexibility of wage setting mechanisms increase the risk of unsuccessful school-to-work transitions in many OECD countries including Italy (Quintini and Manfredi, 2009; Boeri et al., 2017). International evidence show that in highly regulated labour markets, a dual system based on apprenticeship and training can help secure a successful school-to-work transition for the majority of young individuals, especially those with low skills. However, apprenticeships in Italy still face a number of challenges in terms of quality of training and links with the formal education system.[31] As a result, apprenticeships remain underutilised in Italy (OECD, 2017): with a downward trend since 2009, less than 15% of youth between 15 and 29 years old are employed with this type of contract (ISFOL, 2015c). Also, differently from best international practices, apprenticeships are the least used measure within the Youth Guarantee programme (Table 10).

98. The 2015 "***Good School***" reform package contains measures that seek to strengthen the school-to-work transition:

- **Compulsory school-to-work traineeships** for all students in the last three years of secondary school. These traineeships can be arranged during the school year or during the summer. They can last up to 200 hours per year in general education schools (lyceums) and up to 400 hours per year in technical and vocational schools. Firms hiring students who have achieved the upper secondary diploma after school-work alternating programmes receive a hiring bonus of EUR 3,250 for three years. This bonus is however a temporary measure that ends in December 2018.
- "**Territorial laboratories for employability**", where students are involved in selected projects organised by the school administration in coordination with local firms and other labour-market institutions, such as chambers of commerce, employers' associations and VET providers. This initiative seeks to give students the possibility to acquire technical and digital skills based on the needs of the local labour market. The Ministry of Education in 2016 selected 58 projects for a total cost of EUR 45 million. Funds are allocated primarily on projects characterised by a highly-innovative content.
- **FIxO-YEI** initiative ("*Formazione e Innovazione per l'Occupazione*"), a measure that seeks to involve schools and universities in the delivery of the Youth Guarantee programme to recently-graduate students. The FIxO-YEI initiative is coordinated by ANPAL (see Box 4) and managed by school institutes with the help and supervision of specialised ANPAL employees, especially in the form of on-the-job trainings for school operators. The FIxO-YEI initiative includes the following activities:

– A series of meetings to inform students about the Youth Guarantee programme. 16 to 18 year olds who dropped out from school are first identified from the school registers and then invited to these meetings. YG registration forms are distributed at the end of the meeting in order to encourage students to register in the programme.

– Job-orientation activities (for those who have decided to participate in the YG programme). Data from ANPAL show that 69% of participants in job-orientation activities have an upper secondary degree, 18% a post-secondary degree and 13% are still in compulsory education. About 78% of the hours of job-orientation regard specialized consultations (up to 8 hours per

31 . For instance, under the most common apprenticeship contract (the so-called "professional apprenticeship", used in more than 90% of hirings) less than one third of apprentices were enrolled in formal education in 2013 (ISFOL, 2015c)

NEET) while the rest are basic / general consultations (up to 2 hours per NEET). The actual duration of these meetings depends on the graduate's employability profile (see Table 10).

– Job scouting, career guidance, mentoring and advisory services / support after employment. About 520 NEETs have been involved in these activities. Of those, 461 have been successfully integrated into the labour market while 59 have completed a traineeship that did not result in a job offer.

99. All these measures are particularly important for women of **Group C** who have never made the school-to-work transition, but they can be relevant also for individuals of **Groups A** and **B** who may have benefited from participating in school-to-work traineeships and receiving informed career guidance after graduation.

5. Conclusions

100. This report has used a novel method for identifying, analysing and visualising the most common employment barrier profiles characterising the Italian population with potential labour market difficulties. The underlying premise is that out-of-work individuals, either unemployed or labour-market inactive, and workers with weak labour market attachment face a number of possible employment obstacles, and each of them may call for different policy responses. The success of activation and employment-support policies, and of social protection measures more generally, is expected to hinge on effective strategies to target and tailor policy interventions to these barriers and to individual circumstances.

101. The segmentation method used in this report has identified thirteen different combinations ("groups") of employment barriers that characterise the Italian population of "joblessness". Results show that "short-hand" groupings that are often referred to in the policy debate, such as "youth", "women", "unemployed", are far from homogeneous, and may distract attention from the specific employment obstacles that policies seek to address.

102. Focussing on three selected groups, the results are used for an inventory of policies that is centred around the most pressing employment barriers, including contextual information on the main overarching active and passive policy strategies and institutions.

103. The policy inventory is carried out for the following groups. **Group A** includes long-term unemployed younger adults who are at high risk of becoming discouraged from active job search. This group face a complex employment barrier profile combining scarce job opportunities and low work-related capabilities. The extent of the overlap between capabilities and opportunities barriers for this group suggests that part of the employment problems relate also to poor educational outcomes and unsuccessful school-to-work transitions. The other two groups comprise labour market inactive mothers with young children in pre-school age. Average ages are similar in both these groups **Group B** stopped working when they had the first child, whereas **Group C** have never made the school-to-work transition. Poverty risks are high especially for Groups A and C while women in Group B can frequently draw on other household income sources, typically from a working partner.

104. An assessment of current policy configurations relative to the employment barriers faced by these groups suggests a number of policy implications. Although Italy has recently taken concrete steps to improve the **second-tier social safety net**, resources remain limited. As a result, in spite of the high risks of poverty characterizing many individuals in **Groups A** and **C** only small shares of group members receive housing and social assistance support. Social assistance policies are managed by local authorities and the lack of a unified national database of social benefit recipients limits the possibility of an effective monitoring and assessment of service provision, which remains fragmented and highly differentiated across regions. Italy introduced in 2016 a new **anti-poverty measure** targeting low-income families with children (the so-called "**SIA**") which combines cash support with activation measures. However, benefit amounts are low both in a comparative perspective and relative to national living standards. Also, municipalities and PES caseworkers may not be well-qualified for dealing with the needs of social assistance benefit recipients, especially with those facing multiple and complex social problems.

105. In 2015, Italy introduced a number of changes to the **unemployment benefit** system. Minimum contribution requirements are shorter and maximum durations have been

extended up to 24 months. Certain categories of workers who were previously excluded from the unemployment insurance are now covered and some groups of long-term unemployed can rely on a means-tested unemployment assistance programme. Jobseekers become eligible for unemployment insurance only once they have stipulated a personalised activation agreement with the Public Employment Service, and this agreement now has to detail **sanctions** in case of non-compliance with the provisions specified in the agreement.

106. **Spending** on the Public Employment Service (PES) is low compared to other EU countries. As a result, PES offices face severe **capacity constraints** and **staff qualifications** are often not aligned with the tasks and challenges. Also, active labour market policies (ALMPs) come under the competence of local authorities, entailing a highly differentiated provision of measures and organisational models. Low spending levels and the regional dispersion in the implementation of ALMPs create challenges in terms of service quality and coordination of active programmes (under province or regional responsibility) and income support measures (managed at the national level by National Institute for Social Protection, INPS). The lack of a unified **IT infrastructure** and system for data exchange adds to the challenge and hamper the possibility for an effective monitoring and evaluation of regional active labour market programmes.

107. The 2015 "*Jobs Act*" package reformed the system of **active labour market policies**. The new system hinges on the concept of subsidiarity across levels of government. Although regional authorities remain responsible for the provision of public employment services through their territorial offices, a new national agency ("ANPAL") coordinates and supervises service provision and can intervene directly in the management of regional ALMPs if employment-services quality falls below predefined minimum standards. The scope of the new agency will depend crucially on the bilateral legal agreements that the Ministry of Labour and Social Policies (MLSP) is stipulating with the Italian Regions in order to achieve a higher degree of national coordination. The reform seeks to increase the quality of the **employment service** by stimulating the competition between public and private (accredited) providers. ANPAL plays a key role in this context as it sets quality standards and accreditation of private providers. A concrete element of competition is introduced through the so-called **re-integration voucher**, a new national active labour market measure that jobseekers can access after four months of receiving unemployment insurance benefits.

108. **Cash support for families** with young children is comparatively low in Italy; coverage is also low and targeting to low-income groups weak. Families with young children living with other well-off members can potentially receive the maximum benefit allowance whereas jobless households and households of self-employed workers receive little support. Also, family tax credits are not refundable, implying that low earners may not gain completely from this measure. Italy introduced a series of **family bonuses** in 2015 for families with children. Although these measures are able to reach families that were not covered properly by other family benefits, they are temporary and add further complexity to a system of cash support that is already characterized by limited coordination among the different measures. Recent national studies show that there is scope for improving the targeting of public spending on family-support measures through budget neutral reforms that would replace the current measures with a single universal family benefit.

109. Fewer children below three years of age are enrolled in formal childcare compared to other EU countries. **Public nurseries** are organised at the municipal level, entailing a large variety of organizational models across the country. Provision of formal public child care is particularly limited in southern regions where the number of places available and

hours of care offered are often rationed. The cost of public child care is also high and shows significant variation between and within regions, as municipalities can set autonomously the structure of childcare subsidies and the number of available slots. The "**Good school**" **reform** package contains provisions regarding the reorganisation of the pre-school education system, including additional funding for increasing the number of pre-primary facilities. However, these additional resources may not be enough to meet the 2020 Barcelona childcare target.

110. **Flexible working arrangements** are not common in Italy and although the Government has introduced recently a number of important measures for improving the conciliation of work and family life, these measures may not necessarily translate into a higher presence of women in the workplace considering the organizational constraints faced by many micro enterprises. However, international evidence suggests that there is scope for increasing women activity rates despite these constraints. The new legal framework for "**smart-working**" and the possibility for parents to convert their **parental leaves** into part-time work arrangements or into a voucher to buy childcare services are measures that can help reconcile work and family life while minimizing the costs for employers.

111. School drop-out rates are comparatively high in Italy and educational attainment is low. Dropout is more pronounced in the southern regions and affects mainly the first cycle of secondary school as well as technical and professional institutes. Italy introduced compulsory school-to-work traineeships for all students in the last three years of secondary school as part of the "**Good school**" reform package, and a bonus for firms hiring students who have achieved the upper secondary diploma after school-work alternating programmes. Italy is also involving directly secondary schools and universities in the delivery of the Youth Guarantee programme in order to facilitate the school-to-work transition of recent graduate students and drop-out NEETs (the so-called **FIxO-YEI** initiative). However, despite recent improvements, the **Youth Guarantee** programme still faces a number of challenges in Italy, especially in terms of coverage, implementation and labour market outcomes.

Annex 1: Latent class results for Italy

112. Using 2014 SILC data for Italy, the segmentation algorithm in Browne and Pacifico (2016) identified 13 different "typical" combinations (groups) of employment barriers that characterise the Italian population with potential labour market difficulties (the "*target population*"). Table A1.1 shows the model estimates, i.e. the *share* of individuals facing the employment barriers in each latent group and the related *group size* in the target population (first row). Groups are ordered by size; colour shadings are used to highlight barriers with higher (dark blue) and lower (light blue) frequencies in each group. The three highlighted groups, namely groups 3, 9 and 11, refer to **Group A**, **Group B** and **Group C** respectively in Section 4.

Table A1.1. Latent class estimates

Percentage of individuals with selected characteristics, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
	Group Size (Target population=100)	**16**	**12**	**10**	**9**	**8**	**7**	**7**	**7**	**7**	**6**	**6**	**3**	**2**	**100**
Core indicators	*"Low" education*	66	71	37	34	72	33	69	33	33	45	55	62	92	53
	"Low" professional skills	46	100	25	25	65	100	48	40	25	33	100	53	100	56
	No past work experience	0	89	0	0	1	83	0	0	0	0	97	0	100	25
	Positive but "low" relative work experience	89	5	65	36	38	7	13	63	64	3	2	61	0	38
	No recent work activity	95	91	74	22	73	98	93	58	80	96	100	96	100	81
	Health limitations	29	27	9	17	28	5	38	19	10	25	8	99	97	24
	Care responsabilities	10	8	8	7	6	3	3	16	86	4	63	1	0	16
	"High" non-labour income	52	30	26	34	4	24	14	27	34	100	19	26	28	32
	"High" earnings replacements	4	5	2	1	6	2	60	4	2	12	1	22	45	9
	Scarce job opportunities	0	0	54	1	73	96	0	100	8	0	58	0	44	31

Note: Group sizes refer to the target population as defined in the text. Colour shadings identify categories with high (dark blue) and lower (light blue) frequencies. Complementary categories (e.g. 'high' skills) are omitted.
Source: Authors' calculations based on EU-SILC 2014

Table A1.2. Characterisation of the latent groups

Percentage of individuals with selected characteristics and average values, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
Number of individuals (%)		16	12	10	9	8	7	7	7	7	6	6	3	2	100
Number of individuals (frequency)		2130	1619	1389	1171	1131	991	990	963	955	806	805	455	260	13666
Unstable jobs (%)		2	4	26	28	27	5	3	42	9	2	0	2	0	12
Restricted working hours (%)		3	7	0	50	0	0	4	0	13	2	0	2	0	7
Reason for restricted hours (% of)	No better job opportunities	..	..	..	56	..	..	..	..	..	..	..	..	..	52
	Housework or care responsabilities	..	..	..	22	..	..	..	..	..	..	..	..	..	25
	Other reasons	..	..	..	22	..	..	..	..	..	..	..	..	..	23
Workers with zero or near-zero earnings (%)		0	0	0	10	0	0	1	0	0	0	0	1	0	1
Women (%)*		99	99	38	72	10	47	22	72	100	37	100	56	36	66
Age groups (%)*	*Youth (18-29)*	0	0	57	20	0	75	0	15	17	0	21	2	26	17
	Prime age (30-54)	55	59	41	68	73	25	15	81	83	0	79	49	58	54
	Old-age (55-64)	44	41	1	11	26	0	85	5	0	100	0	49	16	29
Average age		53	53	32	41	47	27	59	39	37	62	36	53	42	45
Main activity during the reference period (%)	*Employed FT*	0	0	0	5	0	0	0	0	0	0	0	0	0	1
	Employed PT	3	7	0	46	0	0	3	0	11	1	0	2	0	6
	Self-employed FT	0	0	0	3	0	0	1	0	0	0	0	0	0	0
	Self-employed PT	1	0	0	10	0	0	1	0	2	1	0	1	0	1
	Unemployed	4	1	91	0	100	97	0	100	8	1	1	8	6	33
	Retired	16	1	0	4	0	0	70	0	0	82	0	24	0	14
	Unfit to work/disable	2	3	0	1	0	1	7	0	0	1	0	29	69	4
	Housework	68	86	3	16	0	1	8	0	72	9	96	26	18	36
	Other inactive	6	2	5	14	0	1	10	0	6	5	2	9	8	5
Activity at the time of interview (%)	*Employed*	4	8	16	71	12	1	6	19	18	3	0	4	0	14
	Unemployed	4	0	73	3	86	54	1	78	8	1	1	8	2	26
	Inactive	92	91	10	26	2	45	93	3	74	96	99	88	98	60
Average length of unemployment spell [††]		..	..	12	..	12	12	..	11	..	..	..	..	..	12.0
Actively seeking employment (% of out of work)		..	..	36	..	72	52	..	78	..	..	..	..	..	26
Level of education (ISCED) - %	Primary	20	28	5	5	15	3	24	5	3	16	9	23	34	14
	Lower secondary	45	44	32	29	57	30	45	28	30	29	46	38	58	39
	Upper secondary	28	25	50	47	22	52	24	50	52	40	40	31	7	37
	Tertiary	6	2	14	18	6	15	6	17	15	15	5	7	1	10
Average years of education		9.5	8.6	12.0	12.4	9.3	12.3	9.2	12.4	12.4	11.3	10.3	9.7	6.9	10.6

Table A1.2. Characterisation of the latent groups (continued)

Percentage of individuals with selected characteristics and average values, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
Number of individuals (%)		16	12	10	9	8	7	7	7	7	6	6	3	2	100
Work-related skills (ISCO)	*No work-related skills*	0	88	0	0	1	83	0	0	0	0	97	0	100	25
	Elementar occupations	21	8	12	13	21	8	11	23	14	7	2	23	0	14
	Craft and machine operators	26	4	15	13	45	9	40	17	13	26	1	32	0	19
	Clerk and sales	37	0	51	49	22	0	28	40	54	28	0	30	0	28
	Technicians et al.	8	0	12	12	6	0	13	8	12	17	0	9	0	8
	Professionals	5	0	6	10	2	0	7	10	6	14	0	5	0	5
	Managers	2	0	3	3	2	0	2	1	2	7	0	2	0	2
Average years of paid work experience †		16	..	8	16	21	..	34	11	10	37	..	20	..	18
Severe health limitations		6	7	3	4	6	1	13	4	1	5	1	40	54	7
Migrant		10	11	12	16	17	11	4	20	20	3	30	10	9	13
Average equivalent disposable income (€/year)		17241	12498	11819	15885	8430	10625	17710	12481	14056	25718	9838	14545	15696	14223
Position in the income distribution	*Bottom quintile*	21	38	43	27	63	49	17	41	30	4	48	31	28	34
	Second quintile	22	27	24	20	22	25	23	23	30	6	34	25	13	23
	Third quintile	22	17	15	21	7	13	22	15	20	18	13	18	25	17
	Fourth quintile	19	10	10	18	5	8	18	13	11	28	4	16	21	14
	Top quintile	16	8	7	15	2	5	19	8	9	44	2	11	13	12
AROPE (Eurostat methodology)		21	37	43	26	62	48	16	40	29	3	47	30	27	33
Material deprivation (Eurostat)	*No material deptivation*	77	64	55	73	40	53	78	56	70	91	55	63	59	65
	Deprived	12	17	18	13	21	20	13	20	13	6	21	17	16	16
	Severe	12	19	27	15	38	27	9	24	16	4	24	21	25	19
Benefits - Recipiens and average amounts (€/year)	*Sickness and disability recipients (%),*	12	17	3	5	9	4	29	4	1	11	3	49	39	12
	they receive, on average †	8116	7325	..	..	..	..	13400	..	..	..	..	10037	10899	9170
	Unemployment benefits recipients (%),	7	3	29	20	38	5	12	40	16	4	1	10	0	15
	they receive, on average †	4314		3703	3474	6093	..	..	3787	3808	..	..	..	..	4854
	Social Assistance recipients (%),	0	1	2	1	3	2	1	2	2	0	1	1	3	1
	they receive, on average †	..	..	..	..	..	..	..	..	..	..	..	..	..	2858
	Housing Benefits recipients (%),	1	1	3	2	6	2	1	3	3	1	4	2	4	2
	they receive, on average †	..	..	..	..	..	..	..	..	..	..	..	..	..	767
	Family-related benefits recipients (%),	29	33	30	34	33	30	24	34	59	12	57	25	39	33
	they receive, on average †	993	988	1249	1424	1202	1051	827	1298	2114	..	2250	..	..	1364
	Old-age Benefits recipients (%),	17	1	0	5	1	0	64	0	0	100	0	21	0	14
	they receive, on average †	12014		..	..	..	..	22499	..	..	25609	..	..	..	20836
Household type	*Single*	6	5	7	10	14	3	20	10	0	11	0	17	9	8
	Couple without children	29	25	13	18	19	9	29	17	0	40	3	30	21	20
	Couple with children	22	18	20	36	28	17	12	26	87	5	73	15	6	28
	2+ adults without children	32	33	36	22	23	41	30	29	0	38	4	30	46	28
	2+ adults with children	10	17	22	11	14	29	8	12	9	5	19	7	15	14
	Lone parents	1	1	3	4	1	1	1	4	5	1	2	2	3	2
Have children aged under 6		6	3	12	19	18	7	3	14	62	2	46	5	4	55
*Have children aged under 12**		12	8	23	35	30	15	7	26	100	3	87	10	5	27
Average number of children aged under 6 †		1.2	..	1.2	1.2	1.3	1.2	..	1.2	1.3	..	1.3	..	..	1.3
Average number of children aged under 12 †		1.5	..	1.4	1.5	1.5	1.2	..	1.4	1.6	..	1.6	..	..	1.5
Age of the youngest child †		6		5	5	5	6	..	5	5	..	5	..	..	5
*Live in rural area**		16	17	19	16	18	18	17	15	16	16	18	21	16	17
Area of residence (NUTS 1)	Northern Italy	50	17	28	52	32	19	31	35	37	50	22	50	12	29
	Central	15	11	16	16	15	15	36	20	15	23	17	14	14	16
	South and main islands	34	72	55	31	53	66	33	45	48	27	62	37	74	54
Household with other working household members		65	59	61	66	35	64	36	54	87	50	81	42	45	59
Average number of simultaneous barriers		2.8	2.5	2.2	1.5	2.9	2.7	2.5	3.0	2.6	2.1	3.1	3.2	3.9	2.6

Note: Colour shadings identify categories with high (darker) frequencies. The average number of simultaneous barriers per individual is computed for the core indicators in table A1.1 with the exception of recent work experience. Income quintiles refer to the entire population. Poverty risks and material deprivation are calculated with the Eurostat methodology.

* The variable enters as an additional indicator in the latent class model. Details are in Annex B of the Profile Analysis Note for Italy.

† Average across observations with strictly positive values. Averages based on less than 30 observations are omitted.

†† Individual unemployment durations refer to the reference period (13 monthly observations, i.e. 12 consecutive monthly observations and the moment of the survey interview). The average unemployment duration is calculated across individual records with strictly positive values and is top-coded at 12 months.

Source: Authors' calculations based on EU-SILC 2014.

Table A1.3. Characterisation of the latent groups

Coefficient of variations, by group

		Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Target Pop
Age		17	14	33	28	21	30	9	25	19	3	21	17	31	30
Length of unemployment spell		..	..	13	..	16	8	..	19	..	..	..	..	..	15
Years of education		43	42	34	36	42	33	44	35	34	42	36	44	44	41
Years of paid work experience		63	..	100	65	52	..	26	75	62	16	..	57	..	71
Equivalent disposable income		76	64	77	76	82	72	64	70	79	58	57	68	57	78
Benefits	*Sickness and disability*	86	84	..	..	..	..	84	..	..	..	..	88	59	94
	Unemployment benefit	146	..	206	156	124	..	..	..	..	..	..	..	..	156
	Social Assistance	..	..	..	..	..	..	..	..	..	..	..	..	..	146
	Housing Benefits	..	..	..	..	..	..	..	..	..	..	..	..	..	130
	Family-related benefits	151	162	148	138	160	132	134	192	179	..	142	..	..	169
	Old-age Benefits	83	..	..	..	..	..	51	..	..	58	..	..	..	67
Number of children aged under 6		40	..	39	39	38	35	..	38	39	..	43	..	..	40
Number of children aged under 12		45	..	43	42	43	38	..	41	44	..	45	..	..	44
Age of the youngest child		59	..	71	71	74	68	..	70	84	..	66	..	..	72
Number of simultaneous barriers		42	36	54	70	39	27	48	37	42	51	31	35	24	45

Note: the coefficients of variations are calculated only for the set of *continuous* variables shown in table A1.2.

Annex 2: Description of employment barriers

113. The companion statistical paper for Italy (Browne and Pacifico, 2016) examines a series of employment barriers that may be faced by those with no or weak labour market attachment. Following Immervoll and Scarpetta (2012), these are categorised into three domains, namely:

- **Insufficient work-related *capabilities***, e.g. a lack of skills, work experience, care responsibilities and health-related limitations;
- **Lack of *financial work incentive* to look for a 'good' job**, e.g., because of low potential pay, relatively generous out-of-work benefits, or access to high levels of income independent of their own work effort;
- **Scarce *job opportunities***, e.g., a shortage of vacancies in the relevant labour-market segment, frictions in the labour market due to information asymmetries, or discrimination in the workplace.

114. These employment barriers cannot all be measured directly. To operationalise the concepts, the Profile Analysis Note implements a set of workable indicators under each of the three main categories. Fernandez et al. (2016) provides a fuller discussion of the indicators and their rationale, including descriptive statistics for selected countries. The indicators used are as follows:

- **Capability, item 1. "Low" education**: if an individual has less not achieved an upper secondary degree (according to the ISCED-11 classification system).
- **Capability, item 2. "Low" professional skills**: if the person's most recent occupation was in the lowest two macro categories of the ISCO-08 classification system. Individuals with no work experience *at all* are also included in the "low skills" group.
- **Capability, item 3. Health limitations:** If an individual reports some or severe long-standing (> 6 months) physical or mental limitations in daily activities.
- **Capability, item 4. Care responsibilities:** if an individual has a family member who requires care,[32] and if he or she is either *the only* potential care giver in the household, or the only person in the household who is labour-market inactive or working part time *because of care responsibilities.*
- **Capability, item 5**. **No past work experience *at all*.** If an individual has never made any paid work.
- **Capability, item 6**. **No *recent* work experience:** if an individual did not work at all during the reference period (i.e., without any employment for at least 12 months).

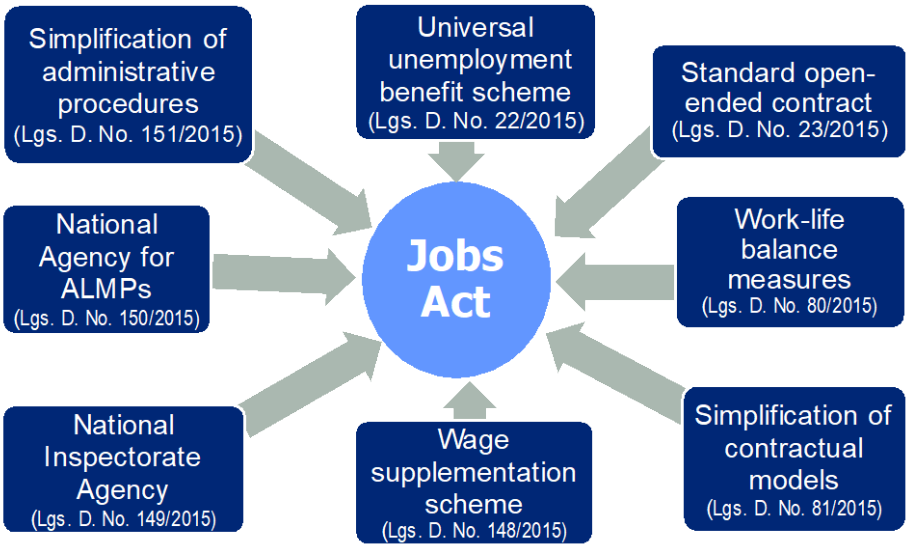
32. Family members assumed to require care are children under the age of 12 receiving less than 30 hours of non-parental childcare a week and adults reporting severe limitations in daily activities due to their health and being economically inactive throughout the reference period (and in the case of those of working age, that permanent disability is the reason for their inactivity).

- **Capability, item 7**. **"Low" relative *total* work experience:** the indicator takes one of three values: 1 for those who have *no past work experience at all*, 2 for those who have *some* work experience but have worked *less than 60%* of the time since they left full-time education, and 3 otherwise (i.e., if their total work experience is not "low").
- **Incentives, item 1. "High" non-labour income:** if the household's income excluding that relating to the work efforts of the individual in question,[33] adjusted for household size, is more than 1.6 times the median value in the reference population.
- **Incentives, item 2. "High" earnings replacement benefits:** if earnings-replacement benefits are more than 60% of an individual's estimated potential earnings in work.[34]
- **Opportunity, one item only:** if an individual has a "high" risk of not finding a job despite active job-search and willingness to take up employment during most of the income reference period (*at least* 7 months) and until the moment of the SILC interview (inclusive). The risk is estimated with a regression model including region, age group, gender and education as independent variables (see Fernandez *et al.*, 2016 for more details). Individuals with an estimated risk of more than 1.6 times the median value in the working-age population are considered to face "scarce" job opportunities. Scarce job opportunities do not only indicate a barrier to employment in the short term, but if jobseekers become discouraged and stop active job search, it could lead to further problems in the longer run.

33. This includes earnings; individual-level earnings-replacement benefits and the individual's share of household-level earnings-replacement benefits.

34. Potential earnings are estimated in SILC with a regression model corrected for sample selection. See Fernandez et al. (2016) for details.

Annex 3: The "Jobs act" REFORM package



Source: Ministry of Economy and Finance.

115. The *Jobs Act* reform package is funded with a dedicated national fund of EUR 2.2 billion for 2015 and 2016, and EUR 2.0 billion from 2017.

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